

# JOINT BUDGET COMMITTEE



## STAFF BUDGET BRIEFING FY 2018-19

## DEPARTMENT OF LABOR AND EMPLOYMENT

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# DEPARTMENT OF LABOR AND EMPLOYMENT

## DEPARTMENT OVERVIEW

The Colorado Department of Labor and Employment (CDLE) administers seven divisions. A brief description of each division and its functions is provided below.

- Executive Director's Office
  - Provides administrative and technical support for Department's divisions and programs including accounting, budgeting, and human resource functions.
- Division of Unemployment Insurance
  - Collects unemployment insurance premiums and surcharges from employers; administers the payment of unemployment insurance benefits to claimants; and conducts audits and investigations to ensure proper payment of premiums and benefits.
- Division of Employment and Training
  - The Division of Employment and Training administers the following programs:
    - *Workforce Development Centers* assist job seekers with job training and placement. Workforce Centers provide a variety of free services to assist job seekers and employers including: job listings; computer and internet access; career counseling and training; recruitment, pre-screening, and referral services; tax credits for employers; and training reimbursement for employers.
    - The *Workforce Development Council* provides workforce policy recommendations; designates local workforce investment areas; coordinates the delivery of workforce development programs; and reviews the allocation of federal Title 1 funds for adult employment and training activities and for youth activities.
- Division of Labor Standards and Statistics
  - Administers employment and labor laws pertaining to wages paid, hours worked, minimum wage, labor standards, child labor, employment-related immigration laws, and working conditions. It also conducts all union agreement elections, certifications of all-union provisions, and investigates and mediates allegations of unfair labor practices.
  - The *Labor Market Information* sub-division provides annual and monthly information on general labor market trends including: unemployment rates, industry trends, and employee compensation by region and industry.
- Division of Oil and Public safety
  - Establishes and enforces rules, regulations, and statutes that govern amusement rides and devices; explosives; boilers; conveyances; fuel products; underground and aboveground petroleum storage tanks; cleanup of petroleum spills; and reimbursement of cleanup costs to qualifying storage tank owners/operators.
- Division of Workers' Compensation
  - Oversees workers' compensation injury claims and compliance, mediates disputes, and administers the Medical Disasters (injuries prior to 1971), Major Medical (injuries from

1971-1981), and Subsequent Injury (more than one industrial injury or injury at more than one employer) Insurance Programs.

- Division of Vocational Rehabilitation
  - Oversees vocational rehabilitation programs designed to enable individuals with any type of disability to participate in the workforce. These programs include Vocational Rehabilitation Services, School-to-Work Alliance Program, Vocational Rehabilitation Mental Health Services, Independent Living Services, Business Enterprises Program for Individuals who are Blind, and the Business Enterprises Program.

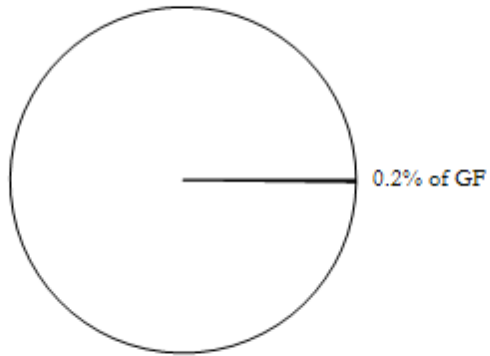
## DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 *
General Fund	\$8,008,584	\$20,786,362	\$21,380,958	\$18,502,128
Cash Funds	74,263,093	71,505,211	72,525,276	74,935,905
Reappropriated Funds	4,439,547	9,401,877	9,515,450	9,556,835
Federal Funds	102,959,190	144,648,223	147,618,138	149,545,080
<b>TOTAL FUNDS</b>	<b>\$189,670,414</b>	<b>\$246,341,673</b>	<b>\$251,039,822</b>	<b>\$252,539,948</b>
Full Time Equiv. Staff	1,060.6	1,310.1	1,310.1	1,310.1

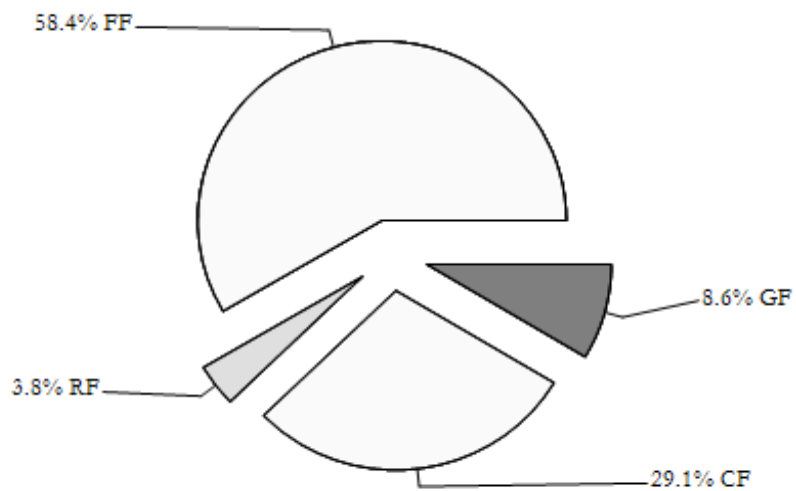
\*Requested appropriation.

## DEPARTMENT BUDGET: GRAPHIC OVERVIEW

**Department's Share of Statewide  
General Fund**

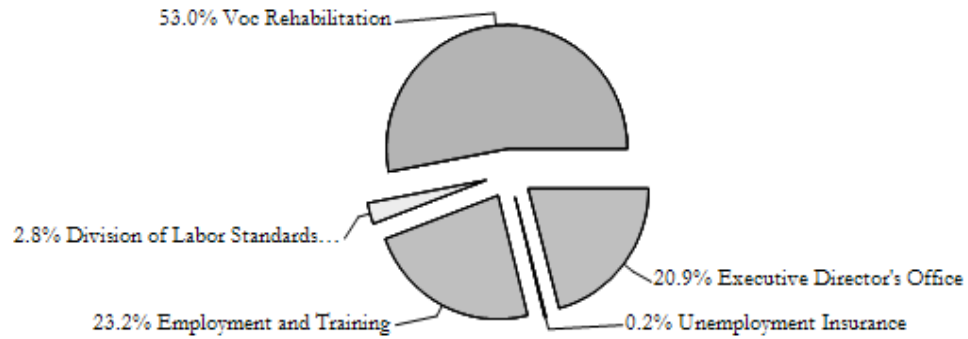


**Department Funding Sources**

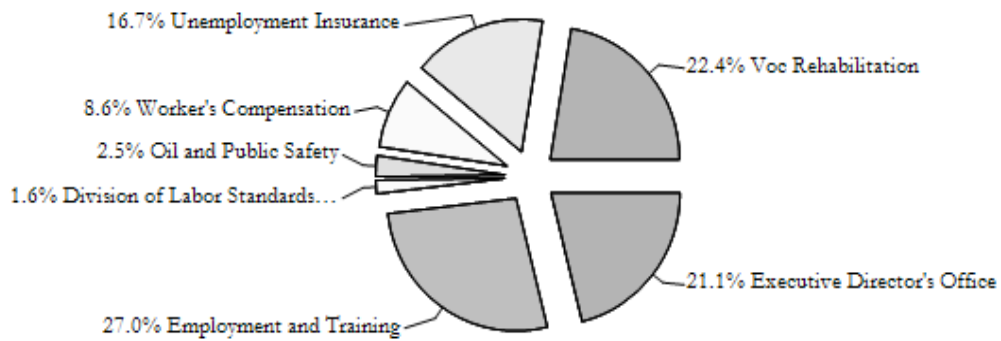


All charts are based on the FY 2017-18 appropriation.

### Distribution of General Fund by Division



### Distribution of Total Funds by Division



All charts are based on the FY 2017-18 appropriation.

## GENERAL FACTORS DRIVING THE BUDGET

### WORKFORCE DEVELOPMENT PACKAGE BILLS

The General Assembly enacted several bills during the 2015 legislative session that were collectively referred to as the “Workforce Development Bill Package.” In FY 2015-16, the Workforce Development Bill Package increased the total appropriation for the Department of Labor and Employment by 4.7 percent and increased the General Fund appropriated to the Department by more than ten times the Department’s FY 2014-15 appropriation. Additional workforce bills were adopted in 2016, one of which added \$500,000 from Marijuana Tax Cash Funds for the Department in FY 2016-17.

Additionally, many workforce development programs are funded with pass-through federal funds. These programs provide employment services for businesses and job training and placement services for job seekers through a network of state and county one-stop workforce centers.

### UNEMPLOYMENT INSURANCE PROGRAMS

The Unemployment Insurance Programs (UI Programs) provide temporary compensation to individuals who are laid off through no fault of their own. Claimants are eligible for weekly benefits, yet are paid on a bi-weekly basis. Benefit payments range from \$25 to a maximum of \$573 per week. The UI Programs appropriation in the Long Bill reflects the cost of administering the UI Programs. Pursuant to Section 8-77-104 (1), C.R.S., the funds used to pay benefits are not subject to appropriation by the General Assembly, and do not appear in the Long Bill.

The appropriation for the administration of UI Programs accounts for 16.7 percent of the Department’s total FY 2017-18 appropriation. Approximately 71.0 percent of the UI Program’s appropriation is federal funds. Unemployment Insurance claims are paid from the Unemployment Insurance Trust Fund (UITF), which resides in the federal treasury and is maintained by the federal Unemployment Insurance Program. In a healthy economy, the number of claims is lower resulting in fewer benefits being paid, which builds up the fund balance. During challenging economic times, the number of claims and benefits paid increases, resulting in a decrease in the balance of the UITF.

UI BENEFIT PAYMENTS FOR FY 2010-11 TO FY 2017-18			
FISCAL YEAR	BENEFIT PAYMENTS	CHANGE FROM PREVIOUS YEAR	PERCENT CHANGE FROM PREVIOUS YEAR
FY 2010-11 Actual	\$761,771,730	(\$301,534,755)	
FY 2011-12 Actual	883,986,486	122,214,756	16.0%
FY 2012-13 Actual	708,295,673	(175,690,813)	-19.9%
FY 2013-14 Actual*	746,155,963	37,860,290	5.4%
FY 2014-15 Actual	540,022,887	(206,133,076)	-27.6%
FY 2015-16 Actual	512,011,850	(28,011,037)	-5.2%
FY 2016-17 Actual	482,342,410	(29,669,440)	-5.8%
FY 2017-18 Estimated	530,000,000	47,657,590	9.9%
* Federal Emergency Unemployment Compensation ended			

During FY 2009-10 the UITF became insolvent which resulted in Colorado borrowing funds from the federal Unemployment Trust Fund. Pursuant to H.B. 12S-1002 (Unemployment Insurance Revenue Bonds), the Department is authorized to use bonds to finance the federal debt in order to

avoid a federal tax credit reduction for Colorado employers. Colorado employers are currently obligated to pay assessments for the principal owed on the federal debt. The solvency surcharge was turned off when bonds were issued in 2013 to cover the debt. The employer bond principal surcharge, which is assessed against employers to repay annual principal on the bonds, will end in 2017. The bonds were paid off in May 2017.

## WORKERS' COMPENSATION

Colorado employers are required to carry workers' compensation insurance to pay for medical expenses incurred during the treatment of work-related injuries and for partial wage replacement. The Division of Workers' Compensation provides services to support this mandate including customer service, claims resolution, employer and employee education, and cost containment programs. The budget for the Worker's Compensation Division is driven by the number of workers injured in a given year, and the number of hearings requested by an employer, insurance company, or injured worker to determine what benefits should be provided. The Workers' Compensation program offers claims intervention, mediation, pre-hearing conferences, settlement conferences, and arbitration to assist with dispute resolution.

## VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

The Division of Vocational Rehabilitation (DVR) transferred to CDLE from the Department of Human Services on July 1, 2016. DVR oversees vocational rehabilitation programs designed to enable individuals with any type of disability to participate in the workforce. The Independent Living Services promotes independent living through actions such as consumer control, peer support, self-help, and advocacy. DVR accounted for 22.4 percent of the total CDLE budget and 53.0 percent of the Department's General Fund in FY 2017-18.

## SUMMARY: FY 2017-18 APPROPRIATION & FY 2018-19 REQUEST

DEPARTMENT OF LABOR AND EMPLOYMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2017-18 APPROPRIATION:						
SB 17-254 (Long Bill)	251,033,822	21,380,958	72,519,276	9,515,450	147,618,138	1,310.1
Other legislation	6,000	0	6,000	0	0	0.0
<b>TOTAL</b>	<b>\$251,039,822</b>	<b>\$21,380,958</b>	<b>\$72,525,276</b>	<b>\$9,515,450</b>	<b>\$147,618,138</b>	<b>1,310.1</b>
FY 2018-19 APPROPRIATION:						
FY 2017-18 Appropriation	\$251,039,822	21,380,958	\$72,525,276	\$9,515,450	\$147,618,138	1,310.1
R1 Unemployment insurance reemployment program	230,900	0	230,900	0	0	0.0
NP1 Cybersecurity liability insurance policy	4,072	102	1,170	0	2,800	0.0
NP2 OIT Operating system and office productivity service	420,999	0	133,620	0	287,379	0.0
Community provider rate adjustment	66,668	66,668	0	0	0	0.0
Centrally appropriated line items	5,094,143	461,223	2,872,178	35,013	1,725,729	0.0
Annualize prior year budget actions and legislation	(4,026,689)	(3,406,823)	(663,337)	(1,004)	44,475	0.0
Technical adjustments	(289,967)	0	(163,902)	7,376	(133,441)	0.0
<b>TOTAL</b>	<b>\$252,539,948</b>	<b>\$18,502,128</b>	<b>\$74,935,905</b>	<b>\$9,556,835</b>	<b>\$149,545,080</b>	<b>1,310.1</b>
<b>INCREASE/(DECREASE)</b>	<b>\$1,500,126</b>	<b>(\$2,878,830)</b>	<b>\$2,410,629</b>	<b>\$41,385</b>	<b>\$1,926,942</b>	<b>0.0</b>
Percentage Change	0.6%	(13.5%)	3.3%	0.4%	1.3%	0.0%

**R1 UNEMPLOYMENT INSURANCE:** The request includes \$230,900 cash funds from the Unemployment Revenue Fund in FY 2018-19, annualizing to \$200,000 in future years, , to implement a new online job search readiness system for claimants of unemployment insurance. The Department proposes to purchase, from a vendor, licenses for claimant access to a suite of online job preparedness modules.

**NP1 CYBERSECURITY INSURANCE:** The request includes Department's share of a request in the Department of Personnel for cybersecurity liability insurance. This request will be addressed in the briefing for the Department of Personnel.

**NP2 OPERATING SYSTEM SUITE:** The request includes the Department's share of a request in the Governor's Office of Information Technology (OIT) to create a new common policy service that encompasses products and services under the new Microsoft Licensing Agreement. This request will be addressed in the briefing for the Governor's Office.

**COMMUNITY PROVIDER RATE ADJUSTMENT:** The request includes a common-policy 1.0 percent provider rate increase for independent living centers in the Division of Vocational Rehabilitation.

**CENTRALLY APPROPRIATED LINE ITEMS:** The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-

term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; leased space; Capitol complex leased space; payments to OIT; and CORE operations.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS AND LEGISLATION:** The request includes the following adjustments for prior year budget actions and legislation.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS AND LEGISLATION						
	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize S.B. 16-1267 (Veterans Service to Career Program)	(\$165,296)	\$0	(\$165,296)	\$0	\$0	0.0
Annualize H.B. 15-1276 (Skilled Worker Outreach Program)	(3,400,000)	(3,400,000)	0	0	0	0.0
Annualize FY 2018 R1 Conveyance App and DB	(445,000)	0	(445,000)	0	0	0.0
Annualize prior year salary survey	(5,776)	(7,066)	(25,605)	(368)	27,263	0.0
Annualize merit base pay	(10,617)	243	(27,436)	(636)	17,212	0.0
<b>TOTAL</b>	<b>(\$4,026,689)</b>	<b>(\$3,406,823)</b>	<b>(\$663,337)</b>	<b>(\$1,004)</b>	<b>\$44,475</b>	<b>0.0</b>

**TECHNICAL ADJUSTMENTS:** The request includes various other technical adjustments. These in part offset the Department's request for an increase for the NP2 Operating System Suite.

## ISSUE: THE UNEMPLOYMENT INSURANCE PROGRAM AND R1 REEMPLOYMENT INITIATIVE

Unemployment insurance claims are low due to historically low unemployment rates. The Department is using this low-demand period to implement unemployment insurance program improvements and replace its antiquated computer systems. It has requested \$230,900 for a computer-based system to promote re-employment. Requests have not, to date, been submitted on two other important issues: (1) The UI Trust Fund is projected to become insolvent under recessionary conditions without further statutory changes; (2) the Department is likely to request funding for additional computer system upgrades.

### SUMMARY

- The UI program provides income support for people who are unemployed through no fault of their own. Although much of this program is off budget, its scale is significant: UI administration requires \$41.6 million total funds and 484.1 FTE, excluding centrally appropriated funding. Total UI state premiums collected, including both state administration and trust fund (benefit) amounts, exceeded \$715.7 million cash funds in FY 2016-17.
- Unemployment rates are at historic lows. This provides an opportunity for the Department to address issues such as long-term solvency of the UI Trust fund, antiquated computer systems, and poor performance on some federal standards.
- The Department projects that the UI Fund will again be insolvent under recession conditions. However, it has not reached agreement with stakeholders on how to address this problem.
- The Department is in the middle of a \$50.3 million modernization of its UI “back end” system to migrate it off the current mainframe. Staff anticipates further requests to fund system improvements.
- The Department has requested \$230,900 from the Unemployment Revenues Cash Fund for R1. The request would add computer-based training modules for unemployed workers to promote reemployment. The Department expects this to speed claimants’ return to work, save \$30 million annually to the UI Trust Fund, and address an area of low performance on federal measures.

### RECOMMENDATION

- Staff recommends that the General Assembly consider legislation to improve solvency of the UI Trust Fund, such as raising the chargeable wage base. If no action is taken now, employers will face steep surcharges during a recession, when they can least afford it.
- The Committee should request that the Department and the Office of Information Technology provide an update on deadlines met and missed and any additional costs anticipated to upgrade UI information technology systems.
- Based on information now available, staff will recommend R1 during figure setting for the Department of Labor and Employment and an associated RFI report. Staff may recommend

adjustments based on the results of a planned FY 2017-18 pilot. While this initiative appears to offer real benefits, it also presents real risks. It will touch almost every person who loses their job through no fault of their own. If users face technical challenges with the system or experience it as a bureaucratic obstacle, rather than as job-search support, the Department and legislators will hear about it.

## DISCUSSION

### OVERVIEW – THE UNEMPLOYMENT INSURANCE PROGRAM

The unemployment insurance (UI) program provides temporary financial support for individuals who lose employment due to no fault of their own. The program is supported by unemployment insurance premiums paid by employers. Currently, 173,984 employers pay premiums on behalf of 2,550,904 Colorado employees.

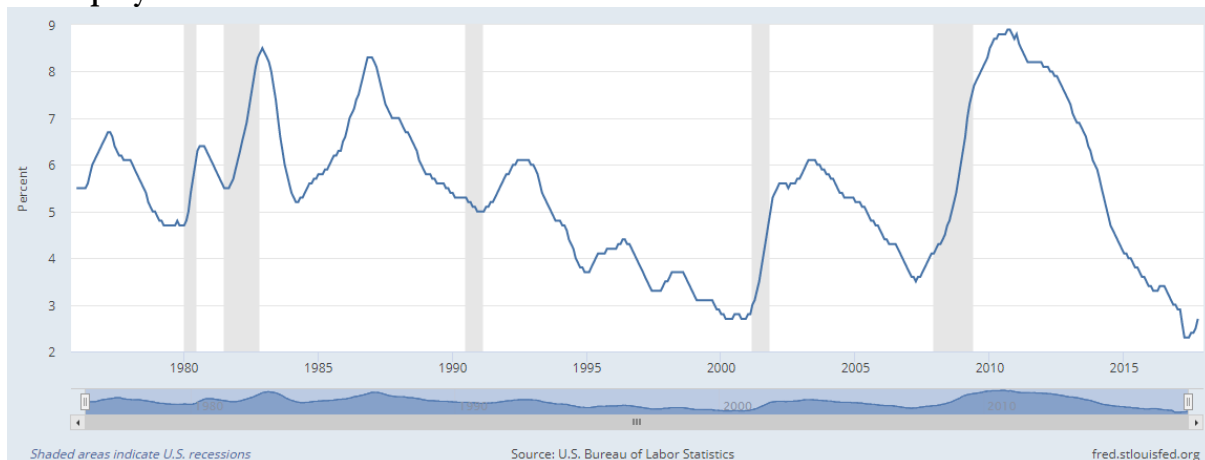
The UI program is a joint state-federal undertaking. So long as a State operates its unemployment insurance program within broad parameters established by federal authorities, federal unemployment taxes remain small (0.6 percent of the first \$7,000 of an employee's paycheck). However, if the State does not operate its program within federal boundaries, including if it has insufficient revenue in its state trust fund to support payments to employees for more than one year, federal UI taxes increase to 6.0 percent to cover payments to workers.

Within the parameters established by the federal government, states have flexibility to set their UI benefits and UI tax structure. Colorado's benefit allows for 26 weeks of UI payments, with benefits ranging from \$25 to a cap of \$573 per week. While this is consistent with benefit levels in many states, other states provide as little as 12 weeks of benefits and a lower tax structure. Colorado state UI premiums average 0.54 percent of total employee wages paid in the State in 2017.

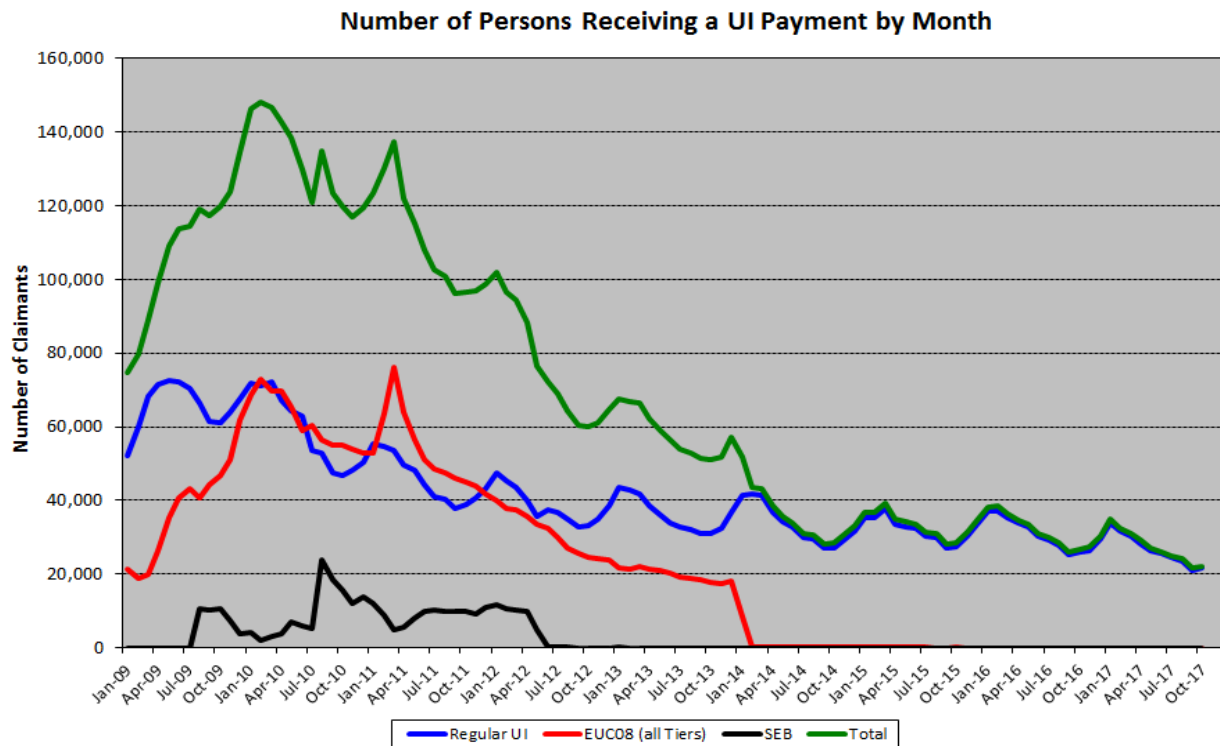
The UI program is the largest program managed by the Department, but the biggest share of revenue and expenditures—UI Trust Fund amounts used for UI payments to workers—are off budget.

Because unemployment in Colorado is currently very low, unemployment insurance claims are also very low.

### Unemployment Rate in Colorado



Source: Bureau of Labor Statistics data as reported by the Federal Reserve Bank of St. Louis



Source: Colorado Department of Labor and Employment.

This low-activity period provides an opportunity for the State to improve its UI system and prepare for the inevitable next recession with its associated increases in UI claims. Current areas of work include:

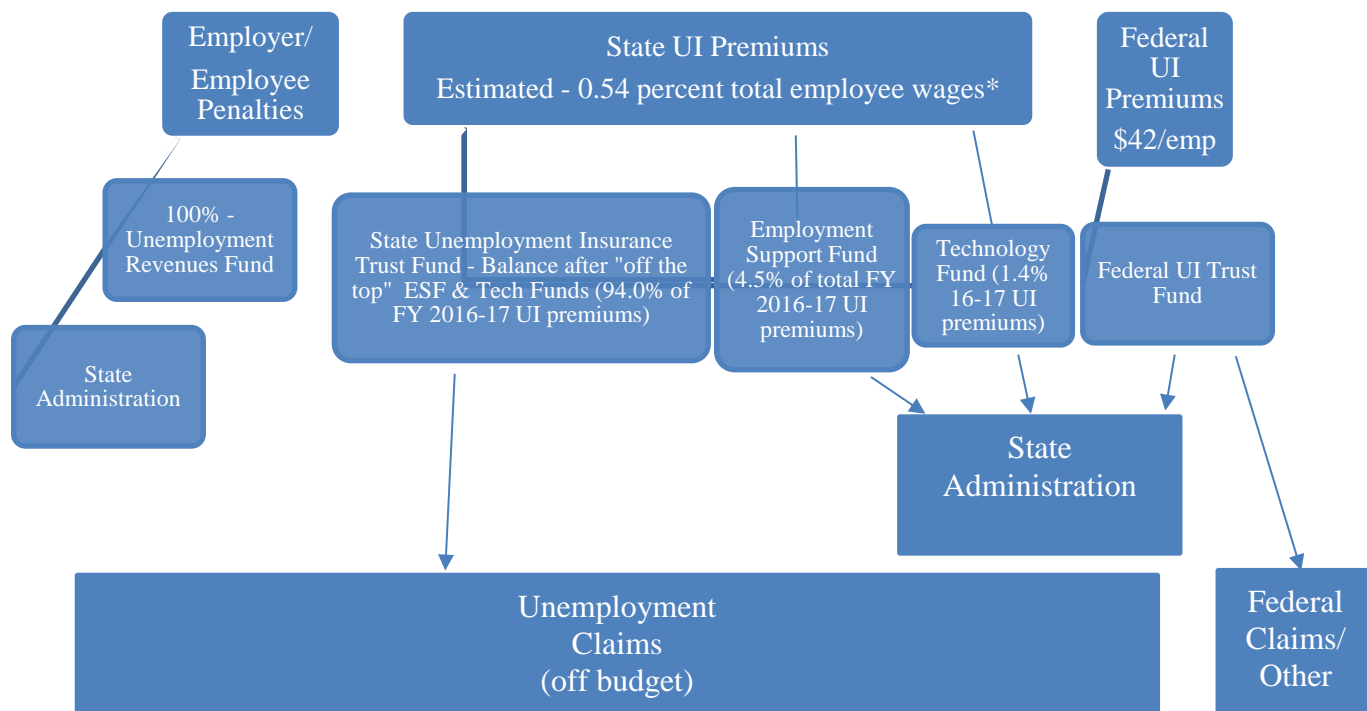
- Exploring with stakeholders how to address long-term solvency of the UI Trust Fund
- Modernizing the UI computer systems
- Integrating the UI system with the system of workforce centers (American Job Centers) and other programs to promote “reemployment”, such as request R1

## STRUCTURE AND FINANCING OF UI ADMINISTRATION AND BENEFITS

The State UI system includes two components:

- “on budget” administrative and related appropriations – state and federal funds; and
- “off budget” trust fund expenditures for payments to UI claimants – primarily state funds.

The chart below summarizes the various revenue and fund components. Note that the size of boxes does not correspond to the scale of differences in expenditures, as expenditures for UI claims are more than ten times expenditures for state administration.

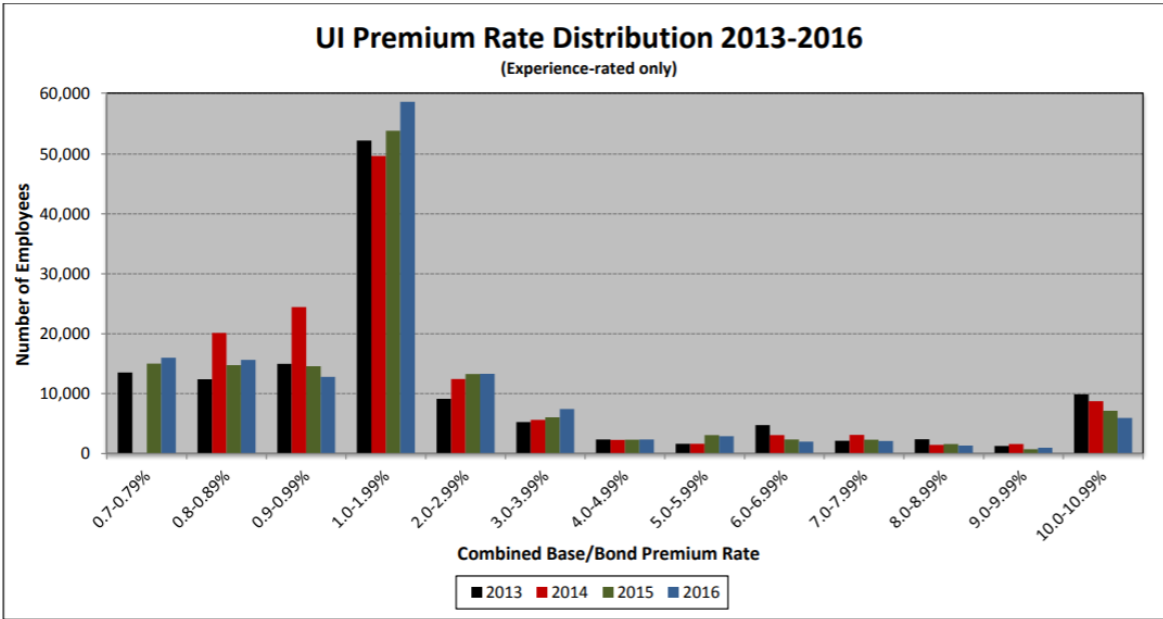


\*Actual premiums per employee vary.

#### *UI Premiums and Penalties*

- Federal UI premiums, after adjusting for a credit related to the State's program, are 0.6 percent on the first \$7,000 of employee salary **(\$42 per employee)**
- State UI premiums vary substantially depending upon an employer's individual claim history and the history of employer's industry. In CY 2017, taxes range from a low of 0.62 percent on the first \$12,500 of employee salary **(\$78 per employee)** to 8.15 percent on the first \$12,500 of employee salary **(\$1,019 per employee)**. The state premium structure is established in Section 8-76-102.5 C.R.S., adopted in H.B. 11-1288. The wage base (currently \$12,500) is indexed annually to the change in average weekly wages.
- The Department estimates that state UI premiums will represent **0.54 percent of total employee wages** in 2017.
- Both employers and employees may be penalized for failure to comply with UI law and rules. Resulting penalty revenues are directed to state administration and compliance activities.

The chart below shows the distribution of rate premiums 2013 to 2016



Source: Colorado Department of Labor and Employment, Colorado's Unemployment Insurance Trust Fund through the Great Recession and Recovery, 2016 Update.

[https://www.colmigateway.com/admin/gsipub/htmlarea/uploads/COUI\\_TrustFund\\_throughGreatRecession\\_Recovery\\_2016.pdf](https://www.colmigateway.com/admin/gsipub/htmlarea/uploads/COUI_TrustFund_throughGreatRecession_Recovery_2016.pdf)

#### *Use of UI Premiums and Penalties*

The total revenue from the State UI premiums are allocated as follows (Section 8-77-109, C.R.S.):

- 0.0011 of the chargeable wage base (currently \$12,500) to the *Employment Support Fund* for appropriation to the Department to offset funding deficits for program administration for UI and employment and training programs, and to fund labor standards and labor relations activities. This represented 4.5 percent of total UI premiums in FY 2016-17.
- 0.0004 of the chargeable wage base (currently \$12,500) or \$10.0 million, whichever is less, to the *Employment and Training Technology Fund* for employment and training automation initiatives. This represented 1.4 percent of total UI premiums in FY 2016-17.
- The balance of UI premiums (.0062 to .0815 of the chargeable wage base (now \$12,500) less amounts to the Employment Support Fund and Employment and Training Technology Fund) are deposited to the *Unemployment Compensation Fund (the UI Trust Fund)*. This portion—only—is considered enterprise revenue for TABOR purposes.

In addition:

- All penalties levied on employers and employees for failing to comply with UI law and rules are deposited in the Unemployment Revenue Fund.

MAJOR STATE UNEMPLOYMENT INSURANCE-RELATED CASH FUNDS	FY 2016-17
<b>Revenue</b>	
Employment Support Fund	\$32,599,820
Employment and Training Technology Fund	10,000,000
Unemployment Insurance Trust Fund (off-budget/enterprise)	673,124,677
<b>Subtotal - From UI Taxes on Employers</b>	<b>715,724,497</b>

MAJOR STATE UNEMPLOYMENT INSURANCE-RELATED CASH FUNDS	FY 2016-17
Unemployment Revenue Fund (Employer and employee penalties)	5,318,284
<b>Total Revenue</b>	<b>\$721,042,781</b>
<b>Expenditures</b>	
Employment Support Fund – <i>appropriated for administration</i>	\$25,776,299
Employment and Training Technology Fund— <i>appropriated for admin./ tech</i>	\$5,324,920
Unemployment Insurance Trust Fund ( <i>off-budget / enterprise</i> )	482,342,410
Subtotal - From UI Taxes on Employers	<b>513,443,629</b>
Unemployment Revenue Fund (penalties) – <i>appropriated for admin.</i>	\$3,584,968
<b>Total Expenditures</b>	<b>\$517,028,597</b>

The table below reflects anticipated July 1, 2018 balances in the relevant cash funds. The Department indicates that \$12.2 million in Technology Fund is currently encumbered and additional amounts will be encumbered in the near future.

FUND BALANCES AS OF THE BEGINNING OF FY 2018-19 (PROJECTED)	
Employment Support Fund	\$38,350,344
Employment and Training Technology Fund	22,538,206
Unemployment Insurance Trust Fund (off-budget/enterprise)	1,028,495,089
Unemployment Revenue Fund	21,336,945
<b>Total Projected Fund Balances UI Funds – July 1, 2018</b>	<b>\$1,110,720,584</b>

*Appropriations for Administration:* The FY 2017-18 appropriations for administrative activities are shown below. The UI Division directly administers the UI program.

FY 2017-18 APPROPRIATIONS FOR UI ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS (SUTA REVENUE)	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Unemployment Insurance Division	\$41,582,024	\$38,361	\$12,031,533	\$0	\$29,512,130	484.1

Significant UI funds are also included in other sections:

- **\$7.7 million** from the Employment Support Fund (state employer premiums), as well as additional federal funds, are used in the EDO for centrally appropriated line items including Payments to OIT;
- **\$10.7 million** from the Employment Support Fund supports the Employment and Training division, which assists unemployed workers in finding employment through the American Job Centers (workforce centers), and the Connecting Colorado electronic jobs network.

### Federal Assessment

A map of the United States with states colored in four categories: red, orange, blue, and light blue. Red states include California, Texas, New York, and several in the Northeast and South. Orange states include Nevada, Arizona, Colorado, Kansas, Oklahoma, Missouri, Arkansas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, West Virginia, Kentucky, Tennessee, and Maryland. Blue states include Washington, Oregon, Idaho, Montana, Wyoming, Nebraska, Iowa, Minnesota, Wisconsin, Illinois, Indiana, Ohio, Pennsylvania, New Jersey, Delaware, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Maine, New Brunswick, and Prince Edward Island. Light blue states include Alaska, Hawaii, and several others in the West and South.

Since the passage of H.B. 11-1288, the Department has been required to submit an annual report on the financial condition of the Unemployment Insurance Trust Fund. **The Department's August 2017 analysis indicates that the Fund, while currently solvent, will again become insolvent under conditions of a moderately severe recession. Key points are quoted below.**

**“Colorado Unemployment Compensation Bonds.** Several states issued unemployment compensation bonds during the Great recession as a way of eliminating the federal debt that stemmed from having had to borrow from the Federal Unemployment Account in order to accommodate

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benefit payments. The Colorado unemployment bonds differed from those issued by other states in that bond proceeds and principal repayments flowed through the UITF...

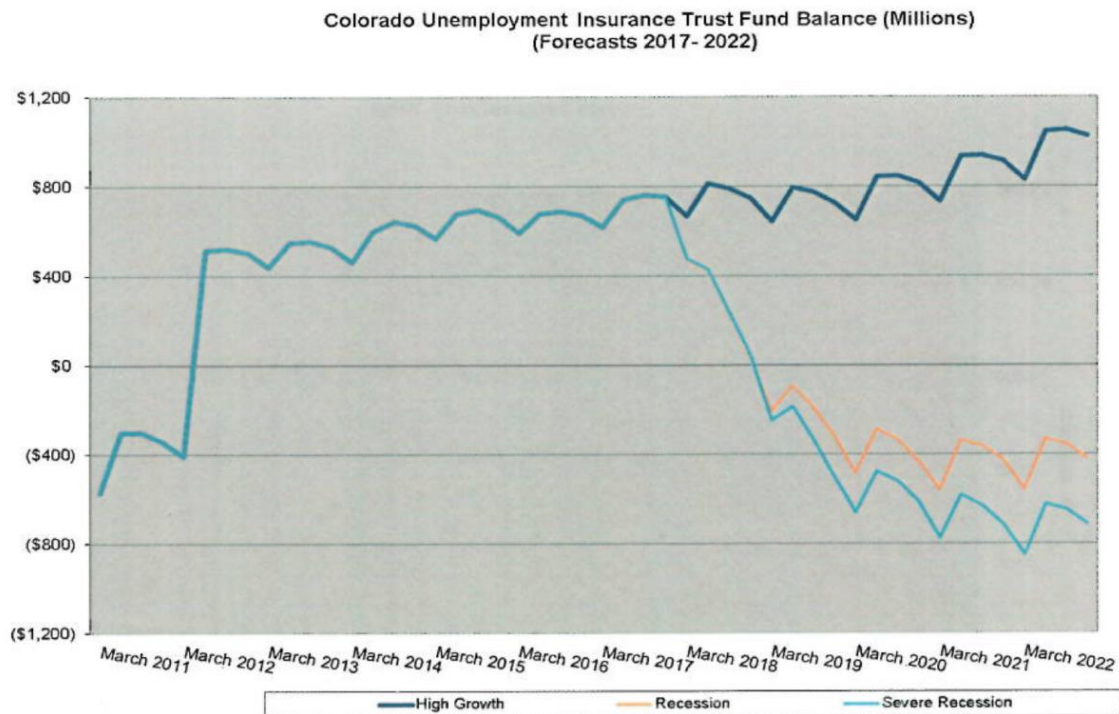
The bonds, which totaled \$630 million, had a five-year term requiring fixed annual principal repayments of \$125 million to be made each May through 2017. [Interest of \$12.9 million was prepaid in 2013.] The Department made the fifth and final principal payment May 15, 2017. The revenue for the principal repayments was generated from employers who were billed a bond repayment surcharge as part of their annual UI premiums. Because the debt has been completely repaid, there are no further bond surcharges assessed against Colorado employers.”

**“Current Trust Fund Outlook.** A fundamental recommendation of the 2010 UITF audit by the State Auditor’s Office was to increase the taxable wage base so as to obviate the fund’s need to borrow during future recessions. While HB 11-1288 made several important improvements to promote long-term solvency of the UITF, the increase to the wage base was likely not adequate to prevent the need to borrow during future recessions. Consequently, last fall the CDLE established a UITF Solvency Committee composed of a diverse group of Department stakeholders to discuss what remedial actions, including an increase to the taxable wage base, would be required to substantially bolster long-term fund solvency. *The Solvency Committee met several times last fall but was unable to agree upon a set of recommendations for legislative action.*”

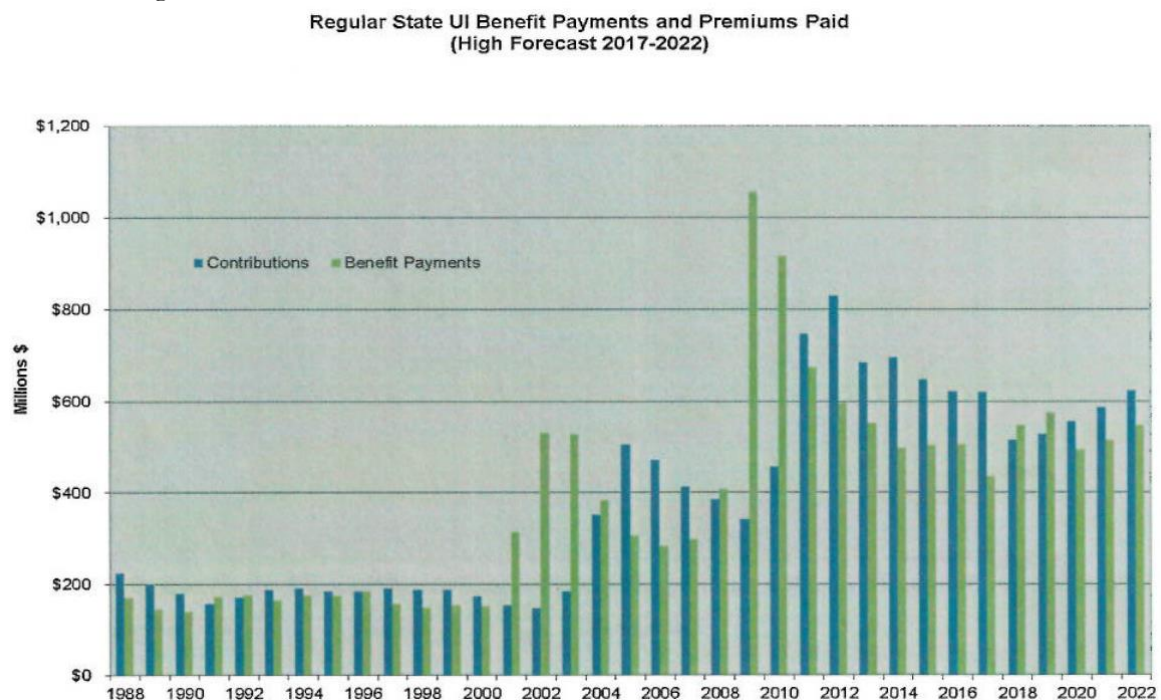
The following charts are based on a set of UITF forecasts that correspond to low, medium, and high growth economic scenarios, as well as recession forecasts. “[Under conditions of healthy economic gains], fund reserves are anticipated to reach just over \$1 billion by year end 2022. The solvency, or reserve ratio, a simple measure of the fund’s financial soundness, will remain roughly flat through 2022, rising only from around 0.66 percent this year to about 0.72 percent by 2022.<sup>2</sup> The last time the solvency ratio was at least 1.0 percent was in 2001. *The UIT is considered fully solvent for purposes of Colorado’s premium rate structure when the adequacy ratio reaches 1.4 percent so that although the fund is expected to remain solvent through 2022 even under relatively high growth conditions it will remain far below the level of reserves required to attain fully funded status.*” Consistent with this, the State is also well below the federally recommended measure of solvency. Because of this, the State would presumably not be eligible for interest-free short term loans from the Federal unemployment insurance account should this be necessary.

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<sup>2</sup> The reserve ratios is the trust fund balance divided by annual total private wages. During the past several recessions, a solvency ratio of about 1.4 would have been large enough to have allowed the fund to pay benefits without borrowing over the course of the recession.



The following chart shows the balance between contributions and benefits payments under the Department's high forecast.



**“Fund Stress Tests....**To gauge the fund’s response to economic recessions, the CDLE looked at two scenarios in which the economy contracts beginning in 2018. These forecasts provide a general

idea of how the fund would react to a slump similar to the 2001 recession as well as a deeper and more protracted event like the Great Recession. *Under both 2018 recession scenarios the fund becomes insolvent during the first quarter of 2019 and, assuming a moderate economic recovery, remains insolvent through the end of the forecast period....*”

#### *History and Future of UI Premiums Under Current Law*

UI premiums have not kept up with wage growth, even though benefits—by law--have. This helps to explain the relatively poor condition of Colorado’s UI Trust Fund. Although important reforms were adopted in 2011, the changes do not adequately address the solvency problem going forward.

- In 1988 the chargeable wage base was set at \$10,000 or 45 percent of the state’s overall taxable wage base.
- The chargeable wage base remained frozen at \$10,000 until 2012.
- The chargeable wage base of \$12,500 is now indexed to growth in employee wages, but the current base of \$12,500 represents 22 percent of the taxable wage base—about half of the level in 1988.
- A solvency surcharge was in effect 2004-2012. The surcharge accounted for roughly \$250 million in annual revenues to the UITF by 2012 and was turned off in 2013 based on the issuance in June 2012 of the UI compensation bonds.
- During the period of bond repayment (2013-2017), a bond principal surcharge increased premiums by 20 to 25 percent of an employer’s base UI premium.
- This surcharge is scheduled turn off at the end of 2017 because the final bond payment was made in May 2017. **Thus, employer premiums will decrease significantly in 2018.**
- Under the current formulas, with persistent growth, the Department projects that the taxable wage base will increase from the current \$12,500 to \$13,900 by 2022. The average employer premium rate will drop from .54 percent of wages this year to 0.41 percent of wages by the end of the forecast period (2022).

When the next recession arrives, the State will be obligated to pay unemployment benefits. The UI Trust Fund will shortly expend all resources, and the State will then be faced with steep increases to employer premiums either to pay bonds or to pay the U.S. Treasury for UI loans. Employers will face a sharp premium increase when they can least afford it. **Staff recognizes that taking the higher premium “medicine” now is not pleasant--but it will reduce the inevitable pain of higher unemployment insurance premiums during the next downturn.**

#### *One Option for Addressing*

In response to questions from staff, **the Department provided one option that considered by the solvency stakeholder committee** that it assembled. The group was unable to reach agreement, and the **Department is not requesting this change.**

- 1 Increase the taxable wage base to \$16,000 in 2019, \$20,000 in 2020, and \$24,000 in 2021;
- 2 Freeze wage base at \$24,000 for 2022 and allow indexing to resume after 2022 in accordance with current law;
- 3 Freeze maximum weekly benefit amount beginning July 1, 2019 and extending through June 30, 2022; resume indexing after June 30, 2022;
- 4 Reduce the premium rate to zero for employers with percent of excess 20 or greater on all rate schedules except deficit schedule;

- 5 Reduce premium rate by 10 percent for all positive rated employers once the fund reaches the 1.4 percent or greater rate schedules. This replaces the current premium rate credit now in statute that refunds premium credits to employers when the June 30 solvency ratio reaches 1.6 percent.

The tables below compare the results of this scenario to current law under various economic scenarios (high growth, recession, or severe recession). As shown, under this scenario, the UTF would still fall into deficit if a recession began in 2018, but it would recover relatively quickly and would generate sufficient revenue to pay off debts incurred during the recession.

Current law does not appear sustainable under recession conditions. If no action were taken, the State would presumably fall back on federal loans, and the federal UI tax rate would increase to 6.0 percent of the federal taxable base, significantly increasing employer premiums.

**June 30 Trust Fund Balance (in millions)**

Year	High Growth Forecast		Recession Forecast (2018)		Severe Recession Forecast (2018)	
	Current Law	Proposed Law**	Current Law	Proposed Law	Current Law	Proposed Law
2018	\$813	\$813	\$424	\$424	\$429	\$429
2019	\$796	\$843	-\$90	-\$34	-\$187	-\$133
2020	\$841	\$1,034	-\$289	-\$53	-\$476	-\$246
2021	\$935	\$1,346	-\$337	\$222	-\$583	-\$37
2022	\$1,044	\$1,704	-\$329	\$609	-\$625	\$322
2023	\$1,162	\$2,046	-\$259	\$1,019	-\$559	\$777
2024	\$1,288	\$2,374	-\$133	\$1,259	-\$437	\$1,205
2025	\$1,421	\$2,675	\$70	\$1,414	-\$240	\$1,497

**Average Tax Rate\***

Year	High Growth Forecast		Recession Forecast (2018)		Severe Recession Forecast (2018)	
	Current Law	Proposed Law	Current Law	Proposed Law	Current Law	Proposed Law
2018	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%
2019	0.41%	0.47%	0.58%	0.66%	0.57%	0.65%
2020	0.41%	0.53%	0.63%	0.82%	0.63%	0.82%
2021	0.41%	0.54%	0.63%	0.93%	0.63%	0.93%
2022	0.41%	0.54%	0.63%	0.90%	0.63%	0.95%
2023	0.41%	0.51%	0.63%	0.85%	0.63%	0.91%
2024	0.41%	0.51%	0.63%	0.60%	0.63%	0.81%
2025	0.40%	0.46%	0.63%	0.57%	0.63%	0.59%

\*Includes solvency surcharge 2019 and after, where applicable

\*\*This is an alternative discussed by the Department with stakeholders but does not reflect a current executive proposal to the legislature.

## MODERNIZING UI COMPUTER SYSTEMS

Apart from solvency, the largest and most challenging issue facing the UI system for almost two decades has been modernizing its computer systems. The current legacy mainframe UI benefits and tax system was brought on line in 1985. Two modernization efforts have failed to-date.

**1999-2005 Genesis - failed.** This was a failed effort to completely redesign all aspects of the State UI computer systems. The project began in 1999 with a reengineering plan and completed in January 2007 with an assessment of whether any of the work completed on Genesis could be salvaged. In April 2002, the Department contracted with Accenture, LLP to design develop and implement a system to support an integrated UI process. In December 2005, the Department and Accenture terminated the contract. At that time Accenture had completed three of five project components (which were implemented) but had not completed the remaining two (unemployment tax and benefits), that comprised 97 percent of the new system's requirements. The Department spent **\$27.9 million** on Genesis, including \$24.2 million for the Accenture contract. The failure of Genesis was a significant driver behind additional authority granted to OIT in 2006 to oversee major automation projects at state agencies.

**2009-2013 Internet self-service (ISS) project – successful.** In 2009, the General Assembly approved **\$6,594,190 million** in capital and operating appropriations to expand online services for UI claimants and employers. In conjunction with OIT, the Department ultimately launched web-based UI applications, which work with the statewide internet portal, including MyUI Claimant, SmartFile, SmartPay, MyUI Employer, and MyJUI Appeals. The claimant tools, launched in October 2009, allow users to check claim status, payment information, register for work, review their employee profile, and view claim balances. The project successfully reduced call wait times and call volume for UI services. MyUI Employer launched at the end of 2012, and the balance of the project was completed September 2013. These tools addressed front-end interface issues for the Department but did not address the antiquated back-end on the system.

**2009-2016 WyCAN project – failed.** The WyCAN (Wyoming, Colorado, Arizona, and North Dakota) consortium formed in 2009 in response to a federal grant for a feasibility study to develop a common UI benefits and tax study. Colorado took the lead on the project in 2013. WyCAN had an initial budget of \$62.2 million in federal funds. The consortium spent \$15.4 million federal funds and reverted the balance to the federal Department of Labor. In Colorado, a total of \$14.8 million from the Employment and Training Technology Fund was appropriated for the project between FY 2013-14 and FY 2015-16, of which **\$4,924,742 cash funds was expended before the project was cancelled in March 2016.** After a year of vendor work on the project, all the states involved had determined that the project could not achieve its goals.

**FY 2016-17 - ? UI Mainframe Mitigation and Modernization – in progress.** For FY 2016-17, the Department approached the General Assembly for a new effort to modernize the core UI computer systems. Beginning in FY 2016-17, the General Assembly agreed to proceed with a **\$51.5 million project, funded entirely with cash funds from the UI Revenue Fund and UI Training and Technology Fund.** The total was split between FY 2016-17 (\$25.3 million) and FY 2017-18 (\$26.2 million). The project is to convert the mainframe COBOL code to Java and move the data stored to a relational database and off the current mainframe system for both the Colorado Unemployment Benefits System (CUBS) and the Colorado Automated Tax System (CATS).

- The Department reports that with two years left on the project, it is comfortable with its progress to-date and believes that the migration to Java and off the mainframe will be successful. However, some deadlines have slipped.
- Staff understands that the Department is currently working with OIT to plan additional UI system modernization initiatives but is thus far unable to provide estimated costs. No budget requests have thus far been completed or submitted for project phases 2 and 3.
- The Department's FY 2017-18 capital request indicated that the initial project would result in \$2.9 million in annual operating budget savings through reductions in costs, network, and mainframe costs. It is unclear when these savings will be realized.

In response to a staff question, the Department indicated:

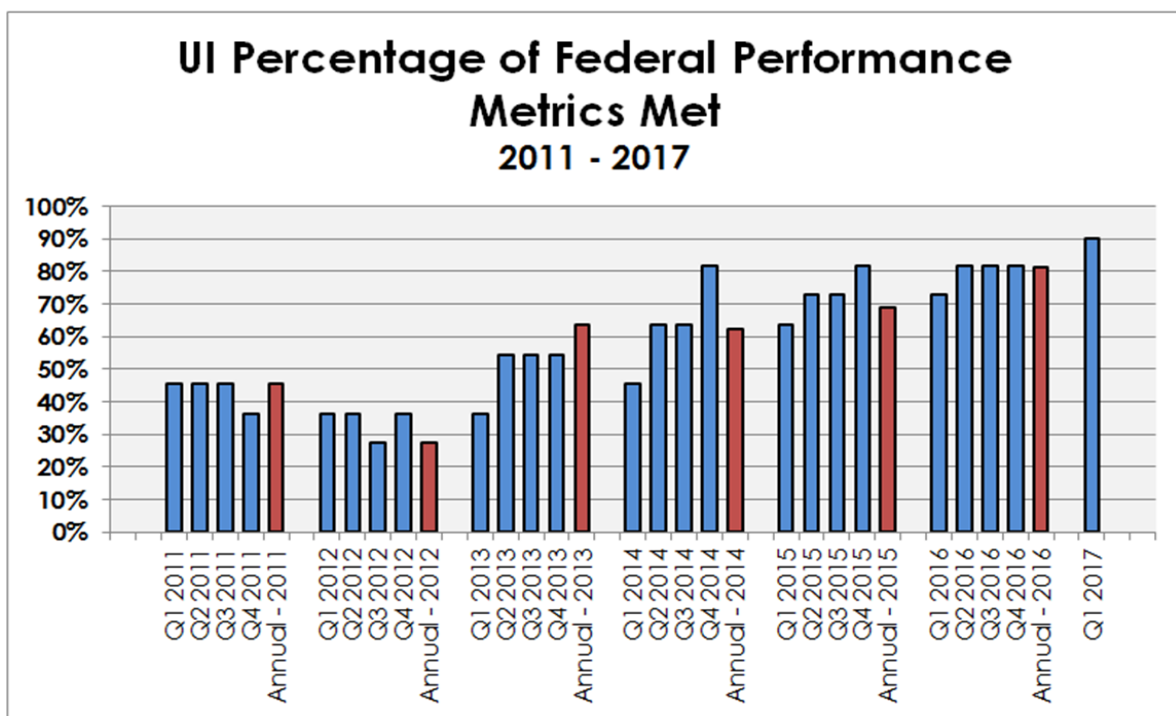
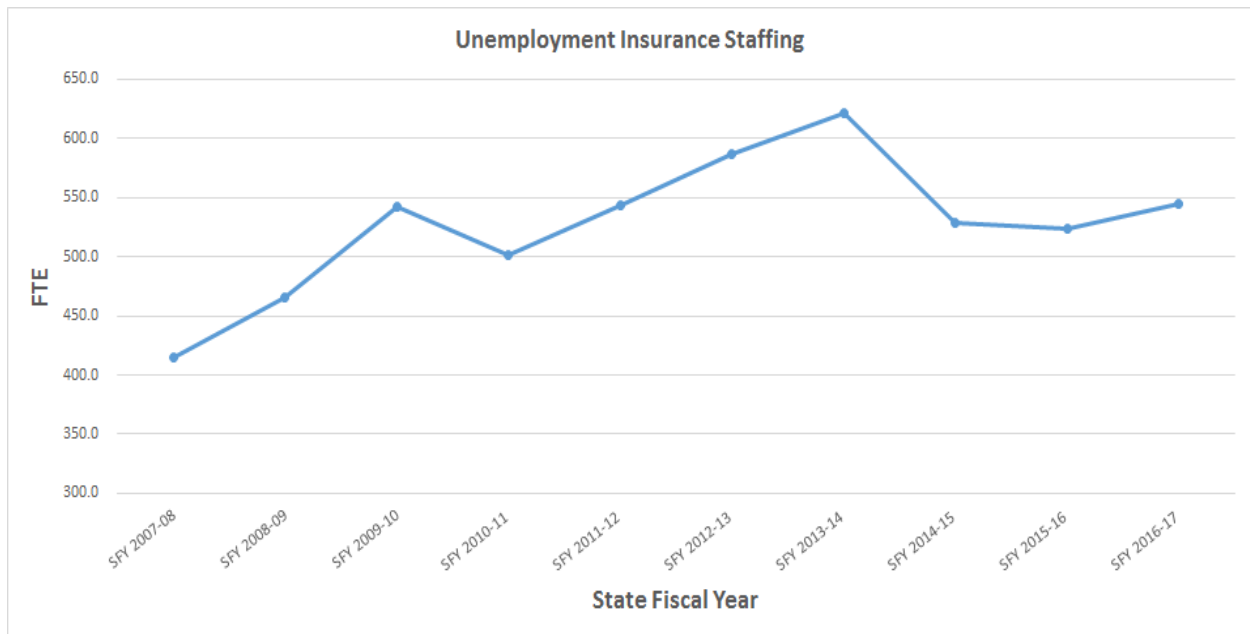
“Due to vast system complexities within the benefits mainframe system (CUBS) the code conversion and migration has **taken about six months longer than anticipated**. Fortunately we had several technology upgrade components of the project that were not migration dependent that were started on time. The telephony component of the system was completed on time in October 2017. We have several in flight elements, including improvements to our Appeals system, upgrade of our Enterprise Content Management system, and upgrade to our Self Service portal, all scheduled for completion in 2018. All the in flight components, as well as the completed telephony upgrade, have both internal and external customer facing benefits. The current timeline for completion of **the full project extends through December 2019.**” [emphasis added]

## MODERNIZING AND IMPROVING UI ADMINISTRATION

Computer system improvements have been the biggest ticket challenges facing the Department. However, it has also struggled for many years with performance issues that require both system upgrades and other system wide changes. These include:

- Addressing federal performance requirements for timeliness and avoiding improper payments.
- Moving to integrate unemployment insurance programs with employment and training programs, consistent with changes to federal law adopted in 2014 and effective July 1, 2015 (the Workforce Innovation and Opportunity Act or WIOA) and related federal rules issued in 2016.

As reflected in the charts below, the Department has seen very significant increases in its staffing, which has remained elevated despite low numbers of claims. At the same time, it has also had notable improvements in its overall performance as assessed on federal measures, as reflected in the charts below, which were provided by the Department.



**ONGOING PERFORMANCE ISSUES.** The federal government issues quarterly UI scorecards for all state UI programs. The annual summary for Colorado for FY 2016-17 is shown below.

STATE PERFORMANCE UI CORE MEASURES INTEGRITY SCORE CARD	
Results are Based on Data from Four Quarters ending June 2017	
BENEFITS	CO
Detection of Overpayments	
Benefit Year Earnings (BYE) Overpayments	
Improper Payments (10%)	
Overpayment Recovery Rate	
STATE PERFORMANCE UI CORE MEASURES SCORE CARD	
TAX	CO
New Employer Status Determinations	
Tax Quality	
Effective Audit Measure	
BENEFITS	
All First Payment in 14/21 days	
Intrastate UI full weeks within 14/21 days	
Interstate UI full weeks within 14/21 days	
Intrastate UI full weeks within 35 days	
Interstate UI full weeks within 35 days	
NONMONETARY DETERMINATIONS	
Nonmonetary Determination in 21 days	
Nonmonetary Separation Quality	
Nonmonetary Nonseparation Quality	
APPEALS	
Average Age of Pending LAA (lower authority appeal)	
Average Age of Pending HAA (higher authority appeal)	
LA decisions within 30 days ***	
LA decisions within 45 days ***	
Quality of Lower Authority Appeals	
REEMPLOYMENT	
Facilitation of Reemployment **	
Green: Meeting or exceeding ALP.	
Yellow (No arrow): State is not meeting the ALP in the performance period, but performance improved from baseline value <10% and state attained at least 75% of the ALP.	
Yellow (Up arrow): State is not meeting the ALP in the performance period, but performance improved from baseline value by at least 10% and state attained at least 75% of the ALP.	
Yellow (Down arrow): (1) State missed the ALP in baseline period & performance worsened, but state attained at least 75% of the ALP; or (2) state met or exceeded ALP in the baseline period, is not meeting ALP in the performance period, but attained at least 75% of ALP.	
Red (No arrow): State not meeting ALP. Red (Down arrow): State also missed ALP in baseline period and performance worsened. Red (Up arrow): State not meeting ALP, performance improved <10%.	
<b>Note:</b> All scores valid as of Sept 29, 2017 for the four Integrity scores and August 24, 2017 for all others.	

As reflected, Colorado continues to perform in the “red” area in three categories:

- Improper payments
- Tax quality
- Facilitation of reemployment

*Improper payments:* A statistical sample of state UI payments is audited to identify improper payments. A payment is deemed improper if an individual claims UI after returning to work or is unable to document required work search activities (among other examples). Federal authorities deem a state out of compliance if it has an improper payment rate greater than 10 percent. According to the Department’s annual UI Trust Fund report, between 2008 and 2011, Colorado’s gross improper payment rate (overpayments+underpayments) was estimated to be 17 percent. It has since created an integrity task force charged with analyzing the issues, root causes, and trends for improper payments and has logged significant improvements. According to its annual report on the UI Trust Fund, for 2016, the gross improper payment rate was 12.5 while the net improper payment rate (overpayments+underpayments-overpayments recovered) was 10.45. Colorado is thus still out of federal compliance but is approaching the compliance level.

*Tax quality:* This measure assesses the accuracy and completeness of the Department’s tax program. A State is considered out of compliance if more than three tax functions fail in a year or if the same tax function fails for three consecutive years. Staff assumes that the State’s problems in this area are directly related to its antiquated computer systems. In theory, these problems should be addressed if the Department is able to modernize its IT systems.

*Facilitate reemployment:* This measure calculates the percentage of UI claimants who are reemployed within the quarter following their first UI payment. Colorado is subject to a relatively high test of 68 percent, which it has not been able to meet. The Department’s R-1 request directly addresses this issue.

## REQUEST R1 – FACILITATING REEMPLOYMENT

While Colorado has historically low unemployment, its unemployment claim duration average for unemployment benefits and benefit exhaustion rate (benefits used for the full 26 weeks available) are surprisingly high. Colorado’s current claim duration average is 15 weeks, currently 26<sup>th</sup> highest in the nation. Its rate of exhaustion of benefits is 42.9 percent, ranked eighth highest in the nation. As the Department’s, request notes:

- Higher duration rates mean claimants are out of work longer, impacting their livelihood and the economy;
- Higher rates are also a strain on the UI Trust Fund, affecting its solvency.

The Department notes that assisting claimants in returning to meaningful work is increasingly recognized as part of the UI system’s responsibility, as highlighted in the federal 2014 WIOA legislation. UI is a required partner in WIOA and is required to provide more extensive support and promotion of reemployment for UI claimants.

To-date, UI efforts have merely required that claimants actively seek work by registering on the state labor exchange system (Connecting Colorado) and submitting a minimum number of cover letters and resumes per week to potential employers (typically five). The federal Department of Labor now

encourages each state to re-imagine its work search requirements to assist claimants in customizing their individual work-search activities.

The Department requests \$230,900 from the Unemployment Revenue Fund, to be continued annually at the \$200,000 level, to implement a new online job search readiness system for claimants of unemployment insurance. Similar to programs in several other states, the Department would purchase from a vendor licenses for claimant access to a **suite of online job preparedness modules**. Potential modules include:

1. Guide & quick tips to starting their job search
2. Wizard to build a customizable reemployment plan
3. Resume builder and include options to multiple types and information on which is appropriate for type of job
4. Cover letter builder
5. Career assistance
6. How to contact employers throughout the application, interview, and follow up process
7. Interviewing skills – How to prepare, what is appropriate to wear for the type of job, what to say and not to say, which questions to ask, etc.
8. How to utilize online job boards
9. How to network

Based on further communication, the Department indicates that it anticipates that:

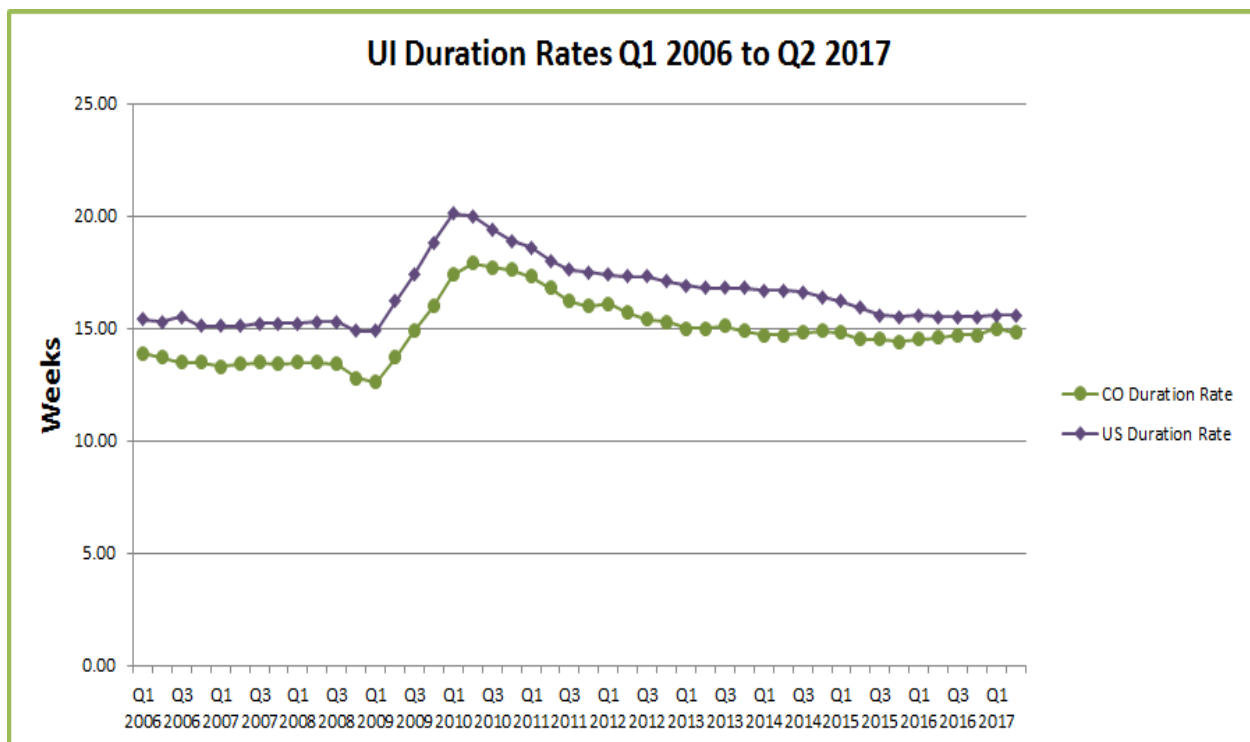
- A certain number of modules—probably four—would be required of virtually all job seekers. Additional modules would be optional.
- Modules would likely include short videos followed by a required task based on the video.
- Completing four required modules would be expected to take 1.5 to 4 hours and would *replace* some of a client's required job search activities for their initial week of unemployment benefits (e.g., a claimant might be required to complete just 2-3 job searches instead of five in their first week).
- If a claimant does not engage initially, their benefit will be restricted until the claimant re-engages. The Department currently anticipates that a client might be sanctioned for one week of benefits for failing to engage in these activities but that the lost week could be restored when the client completes the required modules.
- The Department is already proceeding with piloting this initiative within existing resources in FY 2017-18 but believes it will require an additional appropriation to fully implement in FY 2018-19.
- The Department believes this can be implemented within its existing statutory authority at Section 8-73-107 (1)(a), C.R.S., which provides that “an unemployed individual shall be eligible to receive benefits with respect to any week only if the division finds that he or she has registered for work at and thereafter has continued to report at an employment office in accordance with such regulations as the director of the division may prescribe;”

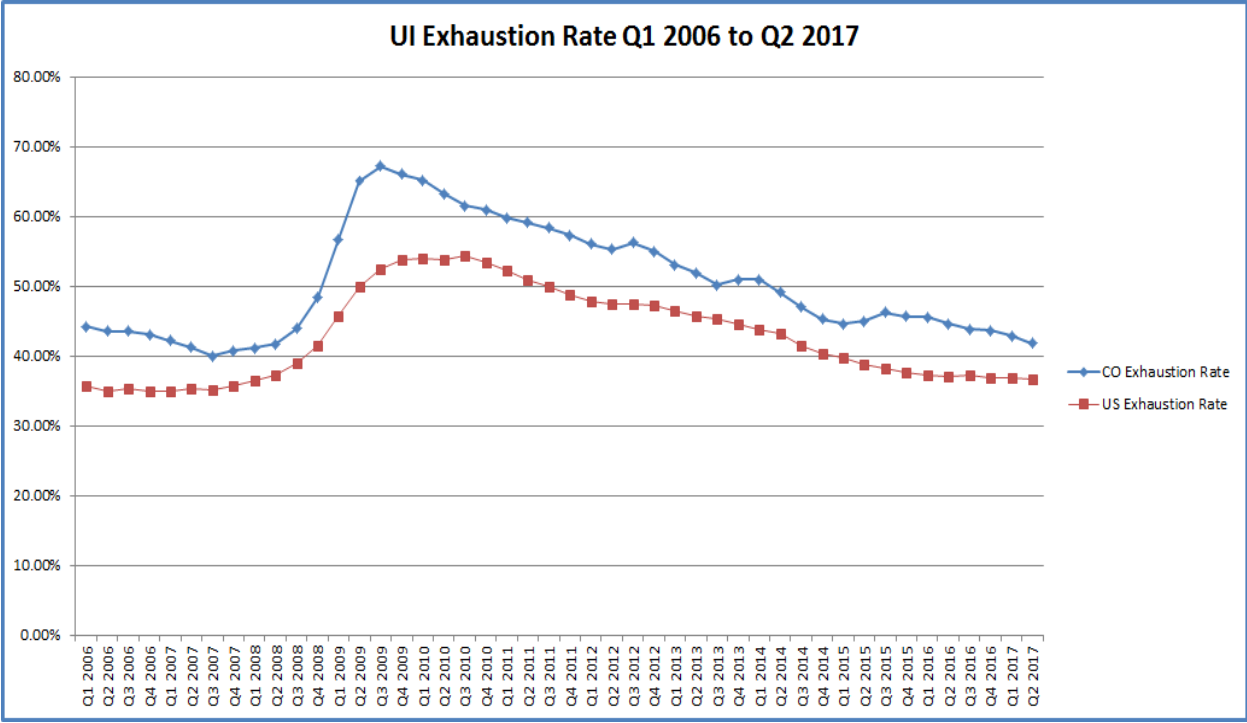
The Department reports that versions of this approach have been successfully implemented in Utah, Indiana, and Mississippi. Claimants reportedly find this training valuable. Studies of the programs in these states by the American Institute for Full Employment found that claimants rated themselves

“D+” in job search skill prior to accessing the modules and, after completing the modules, assessed their skills as “B+”.

In the first year of implementation, Utah’s average benefit during reduced from 14.2 weeks to 13.3 weeks. While the Department cautions that there are many factors that may affect UI claim duration, it anticipates that successfully implementing this type of program could lead to a one-week (7.5 percent) reduction in claims duration, translating to annual savings of \$30 million to the UI Trust Fund. *In response to staff questions, the Department indicates that 5-15 percent of total savings might result from claimants who are sanctioned who choose never to complete the modules; however, claimants finding new jobs earlier would generate most savings.*

The following charts, provided by the Department of Labor and Employment, compare Colorado and national averages for UI duration and exhaustion. As shown, Colorado duration rates have typically been below those of the nation as a whole, but are now close to national averages, despite Colorado’s exceptionally low unemployment rates. As may also be seen, Colorado’s rate of UI exhaustion has remained consistently above that of the nation as whole.





## ISSUE: 2015 AND 2016 STATE WORKFORCE-DEVELOPMENT BILLS SCHEDULED TO SUNSET

A number of programs authorized by 2015 and 2016 workforce bills repeal or lose funding at the end of FY 2017-18. The Department of Labor and Employment has not requested that any of the repealing programs be continued in future years and has correctly eliminated (annualized) \$3.6 million in associated General Fund support from its FY 2018-19 request.

### SUMMARY

- A number of CDLE programs authorized by 2015 and 2016 workforce bills repeal or lose funding at the end of FY 2017-18. Others are due to end in FY 2018-19 and FY 2019-20. Affected programs include the Veterans Pilot Program, the Veterans' Service-To-Career Pilot Program, the Skilled Worker Outreach, Recruitment and Training Program, and the Innovative Industries Workforce Development Program.
- The Department of Labor and Employment has not requested that any of the repealing programs be continued in future years and has correctly eliminated (annualized) \$3.6 million in associated General Fund support from its FY 2018-19 request.
- The Innovative Industries Workforce Development Program, which ends in FY 2019-20, has far more demand than available funding, but the Department has not requested an increase.
- The Department has submitted reports on the programs as required by statute and as requested by the JBC. However, none of these reports includes a serious evaluation of program strengths and weaknesses. Department staff indicate that they are unwilling to provide such input unless specifically instructed to do so through legislative reporting requirements.

### RECOMMENDATION

- Based on information received to-date, staff does not recommend extending any of the programs that repeal at the end of FY 2017-18 or FY 2018-19 or providing an increase for the Innovative Industries Workforce Development Program.
- Staff has nonetheless provided some preliminary recommendations for changes to the Service-to-Career Pilot program should the JBC wish to continue some version of the program in FY 2018-19.
- Staff encourages the Committee to probe the Department further about whether the Innovative Industries Workforce Development Program is achieving state legislative goals and whether it recommends any changes to the program.

### DISCUSSION

The Department's FY 2018-19 budget request reflects the repeal/discontinuation of a number of workforce programs that were authorized in 2015 and 2016. It also includes a report on a program

that was discontinued in FY 2017-18. This issue provides additional information on the four programs below.

2015 & 2016 WORKFORCE BILL REPEAL/ANNUALIZATION						
	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>Program Funding Eliminated FY 2017-18 [Report Received Nov 2017]</b>						
Early end to H.B. 15-1030 (Veterans Pilot Program)	(\$157,950)	(\$157,950)	\$0	\$0	\$0	(0.3)
<b>Program Funding Eliminated FY 2018-19</b>						
Annualize S.B. 16-1267 (Veterans Service to Career Program)	(165,296)	0	(165,296)	0	0	0.0
Annualize H.B. 15-1276 (Skilled Worker Outreach Program)	(3,400,000)	(3,400,000)	0	0	0	0.0
<b>Program Funding Continued (but not increased) FY 2018-19/repeals at the end of FY 2019-20</b>						
Innovative Industries Workforce Development Program	\$597,864	\$597,864	0	0	0	1.3

SERVICE-TO-CAREER PILOT PROGRAM (H.B. 16-1267/SECTION 8-14.3-201 ET. SEQ.)  
House Bill 16-1267 (Lee and Fields/Carroll and Woods) required CDLE to develop a grant program to which workforce centers could apply to enhance workforce center services not available under the federal Workforce Innovation and Opportunity Act.

The bill specified that the workforce centers “**may** contract with a nonprofit agency to administer the program” [emphasis added] and specified that, “in selecting workforce centers to administer the program, the Department shall give preference to a workforce center that partners with a nonprofit agency that is an integrated service and support center for veterans and their families.” However, it did not **require** that the workforce center contract with a non-profit.

The program received a \$500,000 appropriation from the Marijuana Tax Cash Fund (MTCF) in its first year (FY 2016-17). The General Assembly appropriated an additional \$165,296 MTCF appropriation for FY 2017-18. Authorization for the program ends January 1, 2019. The majority of funding was directed to the Mount Carmel Veterans Service Center in Colorado Springs. Between FY 2016-17 and FY 2017-18, \$404,210 was allocated to Mount Carmel via the Pikes Peak Workforce Center, \$151,579 was allocated to Arapahoe-Douglas Works, and \$44,211 was allocated to the Larimer County Workforce Center. The Department retained the remaining \$40,296 for overhead and administration.

*The CDLE did not request ongoing funding and a related bill, suggesting that it does not view the program as valuable. Staff specifically requested a comment from the Department on whether it believes the program should be continued, and if so, whether it recommended modifications. The Department’s response did not directly answer this question. Instead, the Department responded with data suggesting that the existing federal Jobs for Veterans State Grant (\$3.1 million federal funds, administered by workforce centers under CDLE supervision), which focuses on veterans with significant obstacles to employment, was more effective than the H.B. 16-1267 grant funding. However, the response also acknowledged that the populations served, type and length of service, and outcomes data were not comparable. Thus, the response did not provide useful information on the value (or not) of the Service-to-Career program. The report submitted by the Department*

*did indicate that the portion of the program administered by Mount Carmel was far more effective than the portion administered directly by the workforce centers.*

VETERANS' SERVICE TO CAREER PILOT (H.B. 16-1267) - FY 2016-17 RESULTS					
	ENROLLED	COST	COST PER ENROLLEE	EMPLOYED AFTER COMPLETING PROGRAM	EMPLOYED AS % ENROLLED
Arapahoe Douglas Workforce Center	24	\$120,000	\$5,000	2	8%
Larimer County Workforce Center	18	35,000	1,944	2	11%
Pikes Peak (Mt. Carmel)	150	320,000	2,133	51	34%

**Staff does not support renewing the Veterans-to-Career Pilot statute in its current form.** If the General Assembly wishes to continue this program through legislation for future years, staff believes that another, different pilot with different statutory parameters might be warranted. Staff recommends this only **if there is sufficient support from various stakeholders** (and not solely from Mount Carmel Veterans Service Center) **and the goals are clear.**

The following are some **preliminary recommendations** for such a program—**assuming the first two conditions** (broader stakeholder support and clear goals) **are met:**

- **Require—rather than permit—such a program be used to support veterans’ one-stop center activities,** rather than allowing the funds to simply be used by workforce centers (American jobs centers) for anything not funded by federal WIOA. As the Committee is aware, there are at least two major one-stops operating in the state (Denver and Colorado Springs), with an additional one planned in Grand Junction, so this does not need to be a program targeted to one provider. The program should support collaborative efforts that bring together multiple public and private entities to support veterans’ employment.
- **Applicants should be required to show that the services provided complement, rather than duplicate, other public employment support for veterans and promote a more coherent service continuum.** Programs should build around federal Workforce Innovation and Opportunity Act (WIOA) funding for veterans managed by CDLE *as well as* other federal employment funding for veterans and spouses, such as federal vocational rehabilitation services for veterans and the federal Transition Assistance Program.
- Based on Mount Carmel’s experience, **allow the program to serve service members before they have fully transitioned from the military** so they are better prepared for civilian life.
- **Require the managing department to obtain some technical assistance on the front end to structure the RFP for the program and design outcome measures.** To the extent possible, measure success, as well as veterans’ obstacles to employment, using measures commonly used by existing employment programs, including those targeted to veterans, so that results can be compared. In particular, job retention after six months should be tracked to align with federal measures. Support the use of “evidence based” models if such programs exist for this population.
- Authorize funding for sufficient time that outcomes can be properly assessed. **Require a final report that clearly spells out the strengths and weaknesses of the programs funded, whether they should be extended, and recommended modifications.**

- Consider administering the program through the **Department of Military Affairs or another state agency**, given the Department of Labor and Employment's apparent limited interest in or support for this type of program. Staff would support ongoing use of CDLE expertise in this area, but only if CDLE is prepared to provide constructive input. The Department of Military and Veterans Affairs also appears to have little interest in taking on this program.

#### VETERANS PILOT PROGRAM (H.B. 15-1030)

The Department also provided, in response to FY 2017-18 RFI #1, closeout information on the Veterans Pilot Program authorized in H.B. 15-1030 that was funded from July 1, 2015 through June 30, 2017. The General Assembly discontinued the program in 2017. The program was required to provide "follow-along" services for up to 20 eligible veterans including job retention services, mediation services, job mentoring, and career advancement support through a competitive RFP process open to in-state non-profit organizations. The bill included an appropriation of \$157,950 General Fund and 0.3 FTE, with funding continued in the second year. The program was awarded to Discover Goodwill based on a competitive bidding process.

VETERANS' PILOT PROGRAM (H.B. 15-1030) FY 2015-16 AND FY 2016-17 RESULTS					
	ENROLLED	COST	COST PER ENROLLEE	EMPLOYED AFTER COMPLETING PROGRAM*	EMPLOYED AS % ENROLLED
Discover Good Will	22	\$194,385	\$8,452	10	43.5%

\*All those served were employed when entering the program. Thus, this figure represents a decline in the number of individuals employed, as many of them had returned for further education after the program.

A superficial comparison of the employment rates at the end of the program might suggest that the Pilot Program was more successful than the Veterans' Service-to-Career program. However, those in the Pilot program were apparently employed **before** entering the program. Many had entered educational programs by the end of it, so that a 43.5% "success" rate did not represent true success. Further, the average wage declined for those who were employed, rather than in training, at the end of the program. **Based on the data submitted, staff believes the General Assembly's decision to end this program was sound.**

#### SKILLED WORKER OUTREACH, RECRUITMENT AND TRAINING (H.B. 15-1276, EXTENDED H.B. 17-1357)

House Bill 15-1275 (Pabon & Williams/Cooke and Health) created the Skilled Worker Outreach, Recruitment and Training grant (WORK Act). The bill authorized \$10,000,000 General Fund for marketing and updating training programs to meet industry standards and need for skilled workers. Related appropriations were spread over three years (FY 2015-16, FY 2016-17, and FY 2017-18). Spending authority for previously-appropriated amounts was extended through H.B. 17-1357 (reflected in the FY 2018-19 request), but no additional General Fund for the program is sought for FY 2018-19, and the program will sunset at the end of FY 2018-19. The Department submitted an initial report on the program on May 1, 2017. Additional reports are due in May 2018 and May 2019.

Partnering with business and industry to determine critical workforce needs, the program awards matching grants to eligible applicants to engage in outreach and recruitment efforts to increase

enrollment in and completion of skilled worker training programs, provide such training, or both. Eligible applicants include a government or non-government entity that offers or plans to offer a skilled worker training program and has partnered with industry sectors. A training program must be an accredited educational training program, occupational education training, program, apprenticeship or similar training program. The program does not include funding for bachelor's or higher degrees.

Based on the results of the first cycle of three, it appears to staff that:

- The program is achieving its goals of increasing enrollment and completion in various skilled worker training programs.
- The cost per person enrolled thus far has been quite high. For the first cycle, the cost per enrollee was \$1,125, and only 47.8 percent of those enrolled were employed after the program based on the data available to the Department.

The Department indicates that the only grant cycle that has fully completed is Cycle 1, which ended June 30, 2017. Cycle 1 figures are shown below.

	NUMBER OF PARTICIPANTS RECRUITED	NUMBER OF NEW PROGRAM ENROLLEES	NUMBER OF PROGRAM COMPLETERS	NUMBER OF COMPLETERS EMPLOYED AND JOBS/POSITIONS SECURED
Cycle 1 Final (ended June 30, 2017)	7,575	1,896	1,180	906
<u>Comparison:</u> Programs PRIOR to WORK Act		800	147	
<u>Comparison:</u> WORK Act Target		1,471	679	

WORK ACT (H.B. 15-1276) CYCLE 1 RESULTS					
	ENROLLED	COST	COST PER ENROLLEE	EMPLOYED AFTER COMPLETING PROGRAM*	EMPLOYED AS % ENROLLED
Cycle 1	1,896	\$2,132,585	\$1,125	906	47.8%

\*Some programs extend beyond one year.

The Department has not requested a program extension, with or without modifications.

### INNOVATIVE INDUSTRIES WORKFORCE DEVELOPMENT PROGRAM (H.B. 15-1230)

House Bill 15-1230 (Lee and Foote/Health and Cooke) created the Innovative Industries Workforce Development Program. The Department submitted its second report on the program on November 1, 2017. The program repeals at the end of FY 2019-20.

The program reimburses employers with high-level internships in an innovative industry for up to \$5,000 in expenses per intern to incentivize paid internships. Eight industries are eligible to participate:

- Advanced manufacturing
- Energy and Natural Resources
- Information Technology
- Aerospace

- Engineering
- Bioscience
- Construction
- Electronics

The program works with several intermediary organizations, including the Colorado Advanced Manufacturing Association, Associated General Contractors, Colorado Bioscience Institute, Colorado Photonics Industry Association, and the Colorado Cleantech Industries Association. These are reimbursed up to \$10,000 for this service.

The stated goals of the Innovative Industries Internship program include expanding the number of internships, exposing students to career opportunities in innovative industries, and creating more opportunities for students to obtain work experience in innovative industries.

According to the most recent report:

- Since inception of the program, 338 internships spots have been approved, and 291 interns have completed the program, are enrolled, or have a pending start date, based on current state funding.
- There are 179 participating businesses in various industries, most of which (93%) are within the metro Denver area.
- *For FY 2016-17, industry demand was three times the available grant funding*, so reimbursement was restricted to a maximum of three, rather than five interns, per industry.
- The average hourly wage paid interns during FY 16-17 was \$14.60
- Forty-four percent of participating employers expressed interest in creating registered apprenticeships, indicating that the internship experience had opened employer's eyes to the potential benefits of more comprehensive work-based learning.

Due to how costs have been reported in the Department's most recent report, it is difficult to assess the cost per intern. However, the amount was capped at \$5,000 per intern.

**The program has been very successful at funding paid internships and seems to have helped build some important relationships between employers, higher education institutions, and the Department.** However, before expanding or continuing the program beyond its current repeal date, the General Assembly may wish to explore:

- Does the Department have evidence that internships would not have occurred in the absence of this program? If internships are of value to expanding high-tech industries, is the additional incentive of state funding necessary or, at least, is funding at the level of \$5,000 per intern necessary? Once a program is launched, will a business continue it without—or with less-external support?
- 57.7 percent of internships have gone to students pursuing bachelor's degrees at CSU Fort Collins, CU Boulder, and the Colorado School of Mines. Most (74.0 percent) are men. All are presumably enrolled in engineering and other high-tech fields. Aren't these the students most likely to land lucrative employment after college, whether or not they receive an internship subsidized by the State?

- The legislative declaration for the program indicates that goals include exposing Colorado high school and college students to career employment opportunities in the innovative industries and creating opportunities for historically underrepresented communities. How well is the program achieving these goals?
- Given that the program is largely serving higher education students, how well does it align with the State's master plan for higher education? Could it be modified to more closely align, e.g., by focusing more subsidies on low income students and younger students who aren't already on a path toward careers in these high tech fields?

#### DEPARTMENT REPORTS ON 2015 AND 2016 WORKFORCE BILLS

As described above, thus far the Department has included only very limited information in its reports to the General Assembly on the 2015 and 2016 workforce bills. In response to JBC staff questions during a telephone meeting, Department staff indicated:

- The new state programs added in the 2015 and 2016 legislative session fell outside their typical range of activities (which primarily focus on running and overseeing county workforce development centers).
- They were not consulted in the creation of the programs.
- They do not have resources for evaluating programs.
- They are hesitant to offer opinions on the successes or failures of initiatives authorized by the General Assembly or to provide anything more than a bare minimum of feedback as specifically mandated by statute due to concerns about angering various stakeholders, including participating contractors.

H.B. 15-1230 (Innovative Industries) requires three annual legislative reports but specifies that these reports should summarize program activities, identify the number of companies and interns who participated, their occupational areas, the number who obtained related employment, and some related factual data. There is no request for program evaluation.

H.B. 15-1276 (Work Act) also requires three annual reports. Each grantee is required to submit a report to the grant review committee on measurable outcomes achieved. The grant review committee is then required to submit an annual report to the Governor and committees of the General Assembly that includes "at least" the number of grants, number of individuals enrolled, and the number of individuals who obtained employment using the skills for which they were trained, and "other information obtained from grant recipients."

## INFORMATIONAL ISSUE: UPDATE ON THE DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES TRANSFER TO LABOR AND EMPLOYMENT

The General Assembly transferred the Division of Vocational Rehabilitation and Independent Living Services from the Department of Human Service (DHS) to the Department of Labor and Employment (CDLE) effective July 1, 2016. The CDLE has effectively addressed some of the serious financial management problems that occurred under DHS. CDLE continues to work on expanding the vocational rehabilitation caseload and balancing accountability and efficiency in program operations.

### SUMMARY

- Vocational rehabilitation programs help eligible individuals with disabilities prepare for, obtain, advance in, and maintain employment. State independent living centers assist individuals with disabilities to live independently through advocacy, education, and other supports.
- The Division of Vocational Rehabilitation and Independent Living was previously located in the Department of Human Services (DHS). The DHS struggled to manage the vocational rehabilitation program's finances, which careened from over-expenditures in 2012 to under-expenditures in 2013. The program was also subject to a scathing 2013 state audit regarding management practices.
- In response, the JBC sponsored legislation to transfer vocational rehabilitation and independent living programs to the Department of Labor and Employment (CDLE) effective July 1, 2016.
- Under CDLE, financial management has improved. In its first year (FY 2016-17), CDLE was able to expand qualified service expenditures and avoid reverting federal vocational rehabilitation allocations. It also came into compliance with federal "maintenance of effort" (MOE) requirements. The CDLE expects to fully spend available federal vocational rehabilitation funds and comply with MOE requirements in FY 2017-18.
- CDLE expects available federal vocational rehabilitation funds to increase in FY 2018-19. This will drive an increase in the amount needed for non-federal match. Various sources may be available for such non-federal match. The Department has not thus far requested additional General Fund.
- Despite positive trends, these programs are still a work in progress. Vocational rehabilitation enrollment has been slow to grow, and administrative/paperwork burdens are a significant concern for vocational rehabilitation counselors. The CDLE is working to balance accountability and efficiency requirements in both vocational rehabilitation and independent living programs.

## DISCUSSION

### VOCATIONAL REHABILITATION PROGRAMS

Vocational Rehabilitation Programs help eligible individuals with disabilities prepare for, obtain, advance in, and maintain employment. The programs support self-sufficiency among people with disabilities and aim to reduce individuals' need for public assistance. The federal government pays 78.7 percent of total expenditures (\$3.69 for every \$1.00 provided by the State). The State's share is General Fund and reappropriated funds, including funds from school districts.

The State operates 27 vocational rehabilitation offices located throughout the state, which are staffed with state personnel. Federal regulations dictate the program's structure: who may be served, allowable services, which groups receive priority of service, and who is qualified to provide services. Consistent with federal requirements, most service providers are masters-level rehabilitation counselors.

To be eligible services, individuals must meet certain criteria:

- Have a documented disability, such as a physical, mental, or learning disability;
- Due to the disability, have difficulty getting, doing, keeping, or advancing in a job;
- Must be able to work after the DVR program is complete; and
- Must need DVR services in order to go to work successfully.

If a State is unable to serve all eligible individuals, it is required to implement an "order of selection" which prioritizes those with the most significant disabilities. A person with a "most *significant disability*" is defined in Colorado as someone with a severe physical or mental impairment that seriously limits three or more functional capacity areas (such as mobility, communication, self-care, self-direction, interpersonal skills, work tolerance, or work skills).

Each individual who applies for services must complete a rigorous evaluation process to determine if he or she is qualified for services. If deemed eligible, the individual works with a rehabilitation counselor to identify the individual's employment outcome or goal, based on the participant's strengths, resources, priorities, concerns, abilities, interests, and personal choice. As noted in a 2013 OSA audit, goals of those in Colorado's program range from fast food worker to medical doctor. The program provides a range of services to eligible participants, including vocational counseling, job placement, assistive technology, tuition and supplies for higher education and training, and mental health and substance abuse treatment to improve the likelihood of employment. Department staff report that, on average, eligible individuals receive services for about three years.

In addition to the primary vocational rehabilitation program, the Department manages a number of specialized programs for individuals who are blind, deaf, and deaf-blind, including interpreter services, note-taking services, and reader services. They also operate programs targeted to particular age groups or vocational goals, such as programs targeted to students transitioning from K-12 education, programs for individuals on Social Security Disability Insurance, and programs for individuals pursuing self-employment.

The appropriation for the Division of Vocational Rehabilitation and Independent Living Services is below. Vocational programs include the majority of total funds (\$48.4 million) and FTE (229.7). However, the independent living centers, which have a different mission and less restrictive federal guidelines, receive more General Fund (\$6.9 million).

DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES						
FY 2017-18 APPROPRIATIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Vocational Rehabilitation Programs	48,366,526	4,351,642	789,147	4,939,313	38,286,424	229.7
Office of Independent Living Services	7,367,485	6,972,909	30,036	0	364,540	4.0
<b>TOTAL</b>	<b>\$55,734,011</b>	<b>\$11,324,551</b>	<b>\$819,183</b>	<b>\$4,939,313</b>	<b>\$38,650,964</b>	<b>233.7</b>

## A SERIES OF UNFORTUNATE EVENTS: THE DIVISION OF VOCATIONAL REHABILITATION UNDER THE DEPARTMENT OF HUMAN SERVICES

The General Assembly transferred rehabilitation programs to CDLE July 1, 2016. As Joint Budget Committee members are aware, the program was previously located in the Department of Human Services (DHS). The JBC sponsored legislation to move it following evidence of significant problems in DHS' management. The bullets below summarize the history.

- During 2013, vocational rehabilitation programs experienced significant and unchecked growth in service expenditures, resulting in use of a twelve-month appropriation in nine months. To control program expenditures and address the problem, the DHS:
  - Implemented "order of selection" on March 1, 2013. This was further tightened April 22, 2013. Under order of selection, new admissions to the program were restricted, and individuals with the most significant disabilities were placed at the top of a waiting list.
  - Requested and received increases in FY 2012-13 and FY 2013-14 appropriations, including over \$1.0 million General Fund in each year, to continue providing services to those already enrolled for services.
  - Requested an audit of the program from the Office of the State Auditor (OSA).
- In December 2013, the OSA released the requested audit. The audit identified problems in the Division's oversight, system of internal controls, and culture of accountability. The audit found the Division had not established effective program management practices to ensure that it carries out both its responsibilities under federal and state laws and its duty to taxpayers. The OSA had raised similar issues in a 1997 audit of the program.
- In fall 2014, the Department of Human Services indicated it would *under-expend* its FY 2014-15 appropriation by \$5.3 million, including 36 percent of the appropriation for case services, despite a waiting list of over 4,000 people. The Department also indicated that substantial additional federal funds were unmatched and would not be drawn down.
- In response to these disturbing management problems, the JBC sponsored S.B. 15-239 (Transfer Vocational Programs from DHS to CDLE). Independent Living Services were transferred in S.B. 16-093 (Transfer Independent Living Services to CDLE). These bills fully **transitioned the programs as of July 1, 2016**. Other legislative changes were adopted in S.B. 16-182 (Vocational Rehabilitation Statutory Clean-Up) to help bring the program into statutory compliance before

the transfer. The DHS lifted the order of selection restrictions in April 2015, about two years after initial implementation.

#### PROGRESS AND ONGOING CHALLENGES FOR DVR IN CDLE

CDLE moved promptly to address some known problems with DHS programs, eliminating further federal sanctions in FFY 2016-17 and subsequent years.

- Under DHS, the Division of Vocational Rehabilitation program failed to draw down/reverted \$20,985,314 federal funds that were available in federal fiscal year (FFY) 2015-16 because it had insufficient qualified program expenditures. Due to Order of Selection (implemented 2013-2015), DHS saw a significant decline in program expenditures. Even after order of selection was lifted, DHS was unable to rebuild the program quickly enough to use all available federal grant funds. *The CDLE was able to expand allowable case services expenditures in FY 2016-17, so federal allocations were fully used in FY 2016-17. The CDLE does not anticipate reversions in FY 2017-18 or FY 2018-19.*

<b>Distribution of Federal Award by State Fiscal Year</b>					
	<b>Basic Support Federal Award to CDLE</b>	<b>SFY 16</b>	<b>SFY 17</b>	<b>SFY 18</b>	<b>Remaining</b>
<b>FFY 16</b>	37,349,084	0	16,363,870		20,985,214
<b>FFY 17</b>	38,998,851	0	21,349,910	17,648,941	0
<b>Totals</b>	<b>76,347,935</b>	<b>0</b>	<b>37,713,780</b>	<b>17,648,941</b>	<b>20,985,214</b>

- For FFY 2015-16, DHS also failed to comply with federal maintenance of effort (MOE) requirements. This penalty is assessed when a state does not meet or exceed the same level of on-federal expenditures as in the two federal fiscal years prior. Continued decline in DHS spending for the program in FY 2015-16 resulted in an MOE penalty of \$4,924,828. This penalty was applied to the Division's FFY 2016-17 federal grant, thus reducing funds available even after the transition to CDLE. *Due to program expansion in FY 2016-17, CDLE was not subject to any further MOE penalty in FY 2016-17 and does not expect a penalty in upcoming years.*

<b>Federal Award</b>	<b>Award</b>	<b>Federal Expenditures</b>	<b>Match Required</b>	<b>Match 2 years Prior</b>	<b>MOE penalty</b>
<b>FFY 14</b>	\$40,918,495	\$40,918,495	\$11,074,510	Base Year	\$576,036
<b>FFY 15</b>	\$41,000,267	\$35,710,313	\$9,664,926	Base Year	\$1,174,669
<b>FFY 16</b>	\$42,317,015	\$22,721,805	\$6,149,612	\$11,074,510	\$4,924,828
<b>FFY 17</b>	\$38,998,851	\$38,998,851	\$10,554,962	\$9,664,926	\$0

- CDLE has helped push a larger share of expenditures into client services. The Department expects to spend FY 2017-18 appropriations in full, contrary to the experience under DHS.

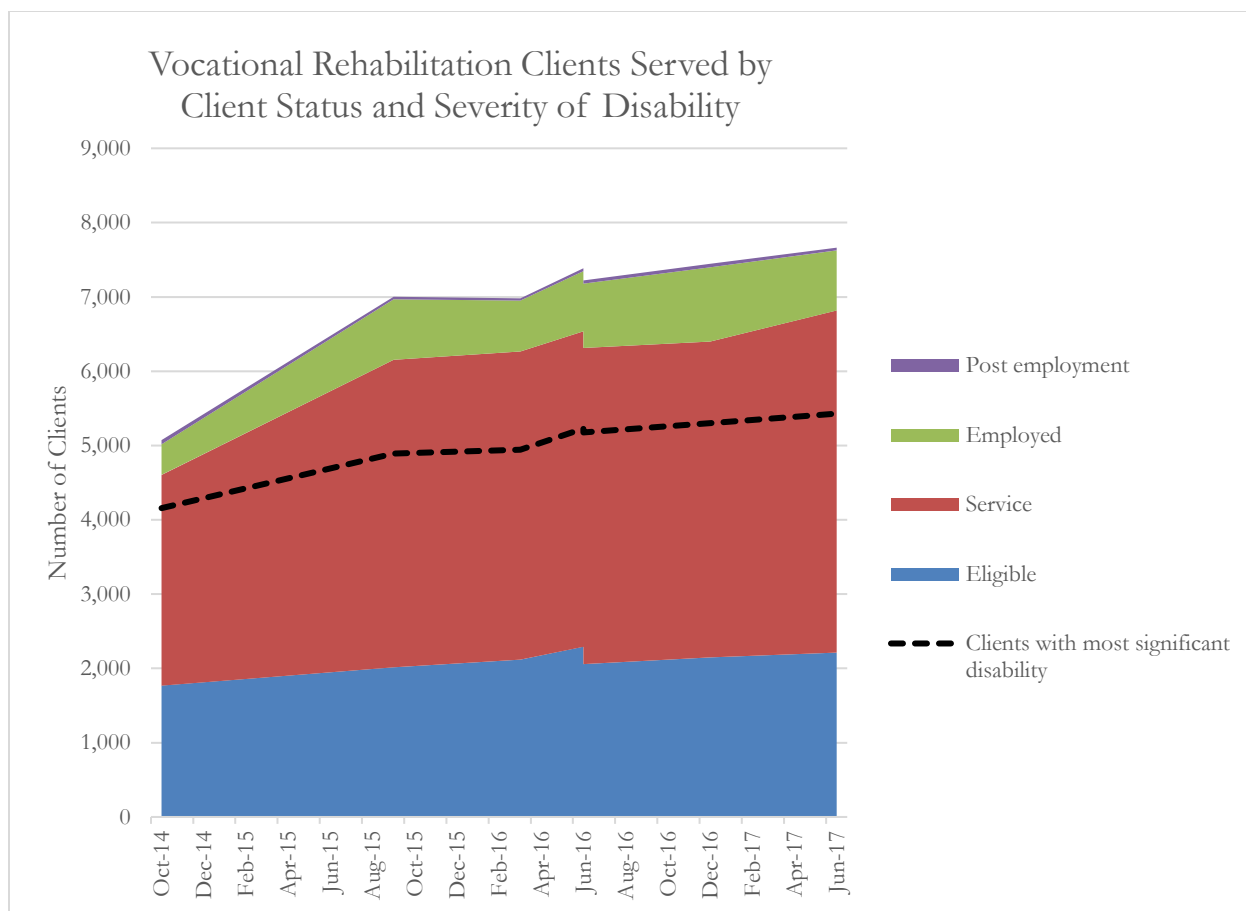
**Division of Vocational Rehabilitation Projected Expenditures by Long Bill Line Item  
SFY 2017-18**

<b>Long Bill Line Item</b>	<b>Long Bill</b>	<b>Projected Total Expenditures</b>
Centrally Appropriated Lines*	\$3,600,000	\$3,600,000
Vocational Rehabilitation Personal Services	\$15,972,937	\$15,972,937
Vocational Rehabilitation Operating	\$2,539,404	\$2,539,404
Vocational Rehabilitation Services	\$14,831,622	\$14,831,622
School to Work Alliance Program (SWAP)**	\$9,133,891	\$9,924,433
Vocational Rehabilitation Mental Health Services	\$1,748,180	\$1,730,507
Business Enterprise Program for People Who are Blind	\$1,532,125	\$1,532,125
Business Enterprise Program-Program Operated Stands, Repair Costs, and Operator Benefits	\$429,000	\$125,000
Federal Social Security Reimbursements	\$1,885,600	\$2,523,582
<b>Total</b>	<b>\$51,672,759</b>	<b>\$52,779,610</b>
<b>Fully Matched Federal Case Services</b>	<b>\$4,306,872</b>	<b>\$4,306,872</b>

Several DHS management problems that did not result in direct fiscal penalties have also been resolved by CDLE.

- DHS had not complied with a federal requirement beginning in FFY 2016 that 15 percent of funds be set aside for services to students between the ages of 15 and 21. CDLE established the required programs for youth upon completion of the transfer on July 1, 2016 and increased spending for this population from \$1.9 million in FFY 2016 to approximately \$5.2 million in FFY 2017.
- DHS had not complied with longstanding federal requirements that all federal funds be fully matched in the initial year of the two-year federal appropriation before rolling funds forward. Although there were no associated federal sanctions, CDLE has cited this as one of numerous examples where it has corrected DHS practices that did not comply with federal law.

**The CDLE deserves credit for resolving some of DHS's egregious financial management problems. Furthermore, CDLE has made some progress in increasing numbers of clients served, as reflected in the chart below.** The categories below show where an individual is in the process. Thus, an individual is first determined eligible, subsequently receives services, may then be served in an initial employment period and, possibly, receive some service changes after obtaining employment. The dotted line shows the share of clients with the most significant disability, regardless of the client's service status.



Note: July 2016 data show a discrepancy between DHS's initial submission and a subsequent submission by CDLE addressing the same time period.

## AREAS OF ONGOING CONCERN FOR THE DIVISION

**Despite this positive trend, program improvements are still a work in progress.** The Department has not yet provided JBC staff with current data on program performance. The most recent data that is publicly available is from 2015, when the program was still under the Department of Human Services and Order of Selection was still in place.

Division management report that the move to CDLE has been positive: the smaller department, flatter structure, and better support from management has helped the Division make the transition effectively and without damaging performance outcomes. In addition, the shift aligns with federal changes that seek to align vocational rehabilitation services and performance measures with those of other Workforce Investment Opportunity Act (WIOA) programs.

Areas of ongoing concern include:

- **Relatively slow growth in program enrollment.** Even though “order of selection” ended in 2015, individuals turned away 2-3 years ago due to waiting lists are difficult to identify and may never re-apply for services. Advocates also note that many in the disability community are hesitant to give up federal income support payments (SSI and SSDI), with their ties to Medicaid, when the future of federal health care policy seems so uncertain.

- **Administrative burdens on counselors** associated with program reporting requirements. This work is driven in part by new WIOA performance measures and in part by the 2013 OSA audit of the program. Highly trained rehabilitation counselors spend large amounts of time on administrative tasks to ensure appropriate data reporting. The Division hopes to automate and simplify some of these functions with the goal of improving client services.
- **Keeping the program staffed.** Management does not consider staff attrition excessive, but is still concerned about turnover of about 15 percent. Only one state educational program, at the University of Northern Colorado, offers the necessary master's degree, and it has only 10 graduates per class.
- **Diversifying sources of match for federal vocational rehabilitation dollars.** The Division emphasizes that requesting additional General Fund match would be "a last resort." However, the program will likely have access to additional federal dollars in FY 2018-19 and future years and wishes to draw them down for the benefit of Colorado clients.
- In general, management knows that it must carefully **balance numbers of clients served and cost per service** so that the program provides efficient services to Coloradans and does not run into spiking or falling expenditures such as those that occurred when the program was in the Department of Human Services.

#### FY 2018-19: INCREASED FEDERAL FUNDING AND INCREASED NEED FOR MATCHING FUNDS

In response to staff questions, the Department provided a preliminary estimate of federal funds available for vocational rehabilitation programs in FY 2018-19 and the associated non-federal match required. The estimate is based on the FFY 2017 award without the MOE penalty of \$4.9 million that reduced funds available in FY 2017-18. The table below compares the amounts in the current FY 2018-19 state budget request with the estimated FFY 2018 VR award. As shown, the Department may require an additional \$1.6 million in non-federal match in FY 2018-19 beyond the amounts included in the request to fully use available federal funds.

	TOTAL FUNDS	NON-FEDERAL MATCH	FEDERAL FUNDS
FFY 2018 anticipated VR award	\$55,811,663	\$11,887,884	\$43,923,779
FY 2018-19 VR subdivision budget request	<u>48,838,890</u>	<u>10,255,429</u>	<u>38,583,461</u>
Difference	\$6,972,773	\$1,632,455	\$5,340,318

Under the Department's current statutory authority, it may increase both revenue and spending for vocational rehabilitation programs if it is able to identify a source for its non-federal match. For example, if additional school districts contribute to the School to Work Alliance Program (SWAP), the Department may expand spending for the program from reappropriated and federal funds. There would be no need for further action by the General Assembly.

**Although changes to appropriations may not be required, staff nonetheless expects to work with the Department prior to figure setting to adjust Long Bill figures for informational purposes** to more accurately reflect anticipated spending for vocational rehabilitation in FY 2018-19.

#### INDEPENDENT LIVING PROGRAMS

Independent living programs also appear to have made a reasonably successful transition to CDLE, although various changes are still in progress. Together, the nine centers serve about 2,000 clients per

month, with some serving as few as 80 and others serving more than 500. The CDLE has imposed more rigorous procedures for drawing down funds. This has been a challenge for some of the nine independent living centers (ILCs) that receive state support. Center directors indicate that they are taking a “wait and see” approach with respect to the transition. Both CDLE and the ILCs recognize that they must strike the right balance between accountability and efficient service delivery, but this will take time to work out.

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### DEPARTMENT OF LABOR AND EMPLOYMENT

Kristen Corash, Acting Executive Director

#### (1) EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office provides administrative and technical support for department divisions and programs including accounting, budgeting, and human resources functions.

Personal Services	<u>6,609,971</u>	<u>9,639,742</u>	<u>9,102,317</u>	<u>9,356,918</u>
FTE	98.4	105.7	110.2	110.2
General Fund	379,620	184,074	184,074	196,470
Cash Funds	4,467,773	4,761,359	4,523,663	4,634,407
Reappropriated Funds	157,006	162,366	162,366	166,480
Federal Funds	1,605,572	4,531,943	4,232,214	4,359,561
Health, Life, and Dental	<u>7,337,704</u>	<u>9,595,004</u>	<u>10,787,604</u>	<u>11,709,546</u>
General Fund	122,709	455,647	643,805	656,794
Cash Funds	2,238,626	3,470,930	3,663,663	4,550,059
Reappropriated Funds	43,463	58,884	46,354	60,205
Federal Funds	4,932,906	5,609,543	6,433,782	6,442,488
Short-term Disability	<u>145,565</u>	<u>129,027</u>	<u>147,847</u>	<u>138,177</u>
General Fund	1,319	7,021	8,364	7,020
Cash Funds	62,455	44,645	53,263	57,954
Reappropriated Funds	947	669	1,139	1,044
Federal Funds	80,844	76,692	85,081	72,159

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	<u>2,531,759</u>	<u>3,373,911</u>	<u>3,922,337</u>	<u>4,077,923</u>	
General Fund	26,694	179,284	222,024	207,188	
Cash Funds	861,192	1,218,460	1,412,254	1,710,348	
Reappropriated Funds	19,046	14,717	30,190	30,809	
Federal Funds	1,624,827	1,961,450	2,257,869	2,129,578	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>2,424,881</u>	<u>3,336,819</u>	<u>3,922,337</u>	<u>4,077,923</u>	
General Fund	25,784	177,515	222,024	207,188	
Cash Funds	811,265	1,203,835	1,412,254	1,710,348	
Reappropriated Funds	18,397	14,451	30,190	30,809	
Federal Funds	1,569,435	1,941,018	2,257,869	2,129,578	
Salary Survey	<u>662,648</u>	<u>148,570</u>	<u>1,494,911</u>	<u>2,651,053</u>	
General Fund	10,589	6,210	84,504	134,693	
Cash Funds	210,071	49,774	538,416	1,111,893	
Reappropriated Funds	4,736	0	11,508	20,030	
Federal Funds	437,252	92,586	860,483	1,384,437	
Merit Pay	<u>573,094</u>	<u>0</u>	<u>677,814</u>	<u>0</u>	
General Fund	7,099	0	42,317	0	
Cash Funds	235,993	0	231,117	0	
Reappropriated Funds	4,855	0	4,805	0	
Federal Funds	325,147	0	399,575	0	
Shift Differential	<u>13,497</u>	<u>14,797</u>	<u>13,339</u>	<u>13,339</u>	
Federal Funds	13,497	14,797	13,339	13,339	

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Workers' Compensation	<u>502,686</u>	<u>684,781</u>	<u>617,729</u>	<u>892,168</u>	
General Fund	0	11,210	11,210	22,188	
Cash Funds	145,339	170,874	170,874	247,717	
Federal Funds	357,347	502,697	435,645	622,263	
Operating Expenses	<u>1,647,276</u>	<u>1,345,799</u>	<u>1,851,130</u>	<u>1,851,130</u>	
General Fund	190,000	17,066	17,066	17,066	
Cash Funds	754,021	765,994	766,076	766,076	
Federal Funds	703,255	562,739	1,067,988	1,067,988	
Legal Services	<u>818,169</u>	<u>761,539</u>	<u>838,308</u>	<u>925,850</u>	
General Fund	95,388	76,509	80,188	99,531	
Cash Funds	184,908	185,024	193,920	195,607	
Reappropriated Funds	0	0	0	0	
Federal Funds	537,873	500,006	564,200	630,712	
Payment to Risk Management and Property Funds	<u>76,052</u>	<u>119,189</u>	<u>146,076</u>	<u>134,049</u>	*
General Fund	0	1,190	6,880	6,660	
Cash Funds	25,045	37,410	38,799	35,139	
Federal Funds	51,007	80,589	100,397	92,250	
Vehicle Lease Payments	<u>104,307</u>	<u>166,502</u>	<u>190,733</u>	<u>206,336</u>	
General Fund	0	10,829	10,829	12,041	
Cash Funds	97,912	119,232	119,232	129,590	
Reappropriated Funds	0	0	0	0	
Federal Funds	6,395	36,441	60,672	64,705	

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Leased Space	<u>3,837,393</u>	<u>4,533,070</u>	<u>5,880,720</u>	<u>6,057,142</u>	
General Fund	17,528	317,597	396,230	408,117	
Cash Funds	2,150,587	2,228,250	2,370,665	2,441,785	
Federal Funds	1,669,278	1,987,223	3,113,825	3,207,240	
Capitol Complex Leased Space	<u>21,880</u>	<u>25,738</u>	<u>49,915</u>	<u>45,004</u>	
General Fund	0	0	5,125	5,125	
Cash Funds	18,291	22,149	22,267	21,009	
Federal Funds	3,589	3,589	22,523	18,870	
Payments to OIT	<u>9,781,782</u>	<u>11,573,963</u>	<u>11,247,120</u>	<u>12,325,387</u>	*
General Fund	1,520,385	2,466,272	2,525,615	2,821,535	
Cash Funds	4,241,892	5,112,611	4,644,471	4,924,971	
Reappropriated Funds	393,180	384,102	384,102	383,244	
Federal Funds	3,626,325	3,610,978	3,692,932	4,195,637	
CORE Operations	<u>124,293</u>	<u>308,946</u>	<u>267,411</u>	<u>399,566</u>	
Cash Funds	124,293	122,521	98,931	128,338	
Federal Funds	0	186,425	168,480	271,228	
Utilities	<u>202,013</u>	<u>228,252</u>	<u>260,309</u>	<u>260,309</u>	
Federal Funds	202,013	228,252	260,309	260,309	
Information Technology Asset Maintenance	<u>487,090</u>	<u>386,220</u>	<u>553,627</u>	<u>218,626</u>	*
Cash Funds	108,806	175,343	175,343	69,243	
Federal Funds	378,284	210,877	378,284	149,383	

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Statewide Indirect Cost Assessment	<u>571,572</u>	<u>371,035</u>	<u>565,147</u>	<u>610,181</u>	
Cash Funds	217,897	255,203	331,328	273,526	
Reappropriated Funds	0	165	135	7,511	
Federal Funds	353,675	115,667	233,684	329,144	
<b>TOTAL - (1) Executive Director's Office</b>	38,473,632	46,742,904	52,536,731	55,950,627	6.5%
<i>FTE</i>	<u>98.4</u>	<u>105.7</u>	<u>110.2</u>	<u>110.2</u>	<u>(0.0%)</u>
General Fund	2,397,115	3,910,424	4,460,255	4,801,616	7.7%
Cash Funds	16,956,366	19,943,614	20,766,536	23,008,010	10.8%
Reappropriated Funds	641,630	635,354	670,789	700,132	4.4%
Federal Funds	18,478,521	22,253,512	26,639,151	27,440,869	3.0%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (2) DIVISION OF UNEMPLOYMENT INSURANCE

This division collects unemployment insurance premiums from employers, administers the payment of unemployment insurance benefits to claimants, and conducts audits and investigations to ensure proper payment of premiums and benefits. Cash funds are from the Employment Support Cash Fund.

Program Costs	<u>43,150,775</u>	<u>33,592,033</u>	<u>37,062,024</u>	<u>38,131,260</u>	*
FTE	523.6	458.1	458.1	458.1	
General Fund	0	36,750	38,361	38,361	
Cash Funds	7,060,025	7,492,131	7,511,533	7,977,772	
Federal Funds	36,090,750	26,063,152	29,512,130	30,115,127	
Employment and Training Technology Initiatives	<u>5,260,322</u>	<u>9,245,892</u>	<u>4,520,000</u>	<u>4,520,000</u>	
FTE	25.1	26.0	26.0	26.0	
Cash Funds	5,260,322	9,245,892	4,520,000	4,520,000	
<b>TOTAL - (2) Division of Unemployment Insurance</b>	48,411,097	42,837,925	41,582,024	42,651,260	2.6%
FTE	<u>548.7</u>	<u>484.1</u>	<u>484.1</u>	<u>484.1</u>	0.0%
General Fund	0	36,750	38,361	38,361	0.0%
Cash Funds	12,320,347	16,738,023	12,031,533	12,497,772	3.9%
Federal Funds	36,090,750	26,063,152	29,512,130	30,115,127	2.0%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (3) DIVISION OF EMPLOYMENT AND TRAINING

The Division of Employment and Training administers the Workforce Development Centers, the Workforce Development Council, and various workforce development programs.

State Operations	<u>21,999,710</u>	<u>16,806,004</u>	<u>14,531,070</u>	<u>14,755,391</u>	
FTE	125.2	117.3	143.7	143.7	
General Fund	236,036	500,000	0	0	
Cash Funds	9,514,078	9,437,999	9,697,791	9,809,358	
Federal Funds	12,249,596	6,868,005	4,833,279	4,946,033	
One-Stop County Contracts	<u>3,654,821</u>	<u>8,019,435</u>	<u>9,164,335</u>	<u>9,164,335</u>	
FTE	0.0	17.9	0.0	0.0	
Federal Funds	3,654,821	8,019,435	9,164,335	9,164,335	
Trade Adjustment Act Assistance	<u>956,393</u>	<u>1,288,685</u>	<u>2,000,000</u>	<u>2,000,000</u>	
FTE	0.0	1.6	0.0	0.0	
Federal Funds	956,393	1,288,685	2,000,000	2,000,000	
Workforce Investment Act	<u>42,709,311</u>	<u>38,312,417</u>	<u>32,504,222</u>	<u>32,606,660</u>	
FTE	65.4	59.6	61.2	61.2	
Cash Funds	807,540	807,540	807,540	807,540	
Federal Funds	41,901,771	37,504,877	31,696,682	31,799,120	
Workforce Development Council	<u>966,396</u>	<u>1,165,637</u>	<u>1,058,284</u>	<u>1,073,302</u>	
FTE	7.5	7.5	7.5	7.5	
General Fund	584,012	572,254	572,254	577,103	
Reappropriated Funds	441,952	593,382	486,030	496,199	
Federal Funds	(59,568)	1	0	0	

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Workforce Improvement Grants	<u>291,528</u>	<u>466,249</u>	<u>55,000</u>	<u>55,000</u>	
FTE	0.7	0.7	0.0	0.0	
Cash Funds	169,770	0	0	0	
Federal Funds	121,758	466,249	55,000	55,000	
Veterans Pilot Program	<u>88,543</u>	<u>138,370</u>	<u>0</u>	<u>0</u>	
FTE	0.2	0.3	0.0	0.0	
General Fund	88,543	138,370	0	0	
Veterans Service to Career Pilot Program	<u>0</u>	<u>279,733</u>	<u>165,296</u>	<u>0</u>	
FTE	0.0	0.3	0.5	0.5	
Cash Funds	0	279,733	165,296	0	
Innovative Industry Workforce Development	<u>161,339</u>	<u>914,510</u>	<u>597,525</u>	<u>599,864</u>	
FTE	0.7	1.3	1.3	1.3	
General Fund	161,339	914,510	597,525	599,864	
Skilled Worker Outreach, Recruitment and Training Program	<u>147,869</u>	<u>2,084,920</u>	<u>3,400,000</u>	<u>3,402,589</u>	
FTE	0.8	1.0	2.0	2.0	
General Fund	0	0	0	716	
Reappropriated Funds	147,869	2,084,920	3,400,000	3,401,873	
Appropriation to the Skilled Worker Outreach and Key Training Program Fund	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,400,000</u>	<u>0</u>	
General Fund	3,300,000	3,300,000	3,400,000	0	

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Hospitality Education Grant Program	<u>736,027</u>	<u>399,852</u>	<u>399,852</u>	<u>399,852</u>	
FTE	0.5	0.7	0.5	0.5	
General Fund	399,852	399,852	399,852	399,852	
Cash Funds	336,175	0	0	0	
<b>TOTAL - (3) Division of Employment and Training</b>	75,011,937	73,175,812	67,275,584	64,056,993	(4.8%)
FTE	<u>201.0</u>	<u>208.2</u>	<u>216.7</u>	<u>216.7</u>	<u>(0.0%)</u>
General Fund	4,769,782	5,824,986	4,969,631	1,577,535	(68.3%)
Cash Funds	10,827,563	10,525,272	10,670,627	10,616,898	(0.5%)
Reappropriated Funds	589,821	2,678,302	3,886,030	3,898,072	0.3%
Federal Funds	58,824,771	54,147,252	47,749,296	47,964,488	0.5%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (4) DIVISION OF LABOR STANDARDS AND STATISTICS

This division administers employment and labor laws pertaining to wages paid, hours worked, minimum wage, labor standards, child labor, employment-related immigration laws, and working conditions. It conducts all union agreement elections, certifications of all-union provisions, and investigates and mediates allegations of unfair labor practices. This division also collects, analyses, and reports Colorado employment, wage, and other labor statistics data.

#### (A) Labor Standards

Labor Program Costs	<u>1,738,023</u>	<u>1,871,632</u>	<u>1,877,911</u>	<u>1,911,367</u>	
FTE	19.1	23.5	25.8	25.8	
General Fund	571,301	587,753	588,160	607,823	
Cash Funds	1,166,722	1,283,879	1,289,751	1,303,544	
<b>SUBTOTAL - (A) Labor Standards</b>	1,738,023	1,871,632	1,877,911	1,911,367	1.8%
<i>FTE</i>	<u>19.1</u>	<u>23.5</u>	<u>25.8</u>	<u>25.8</u>	0.0%
General Fund	571,301	587,753	588,160	607,823	3.3%
Cash Funds	1,166,722	1,283,879	1,289,751	1,303,544	1.1%

#### (B) Labor Statistics

Labor Market Information Program Costs	<u>2,697,881</u>	<u>2,583,502</u>	<u>2,178,588</u>	<u>2,183,587</u>	
FTE	23.4	23.1	30.3	30.3	
Cash Funds	0	0	0	0	
Federal Funds	2,697,881	2,583,502	2,178,588	2,183,587	
<b>SUBTOTAL - (B) Labor Statistics</b>	2,697,881	2,583,502	2,178,588	2,183,587	0.2%
<i>FTE</i>	<u>23.4</u>	<u>23.1</u>	<u>30.3</u>	<u>30.3</u>	0.0%
Cash Funds	0	0	0	0	0.0%
Federal Funds	2,697,881	2,583,502	2,178,588	2,183,587	0.2%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
<b>TOTAL - (4) Division of Labor Standards and Statistics</b>	4,435,904	4,455,134	4,056,499	4,094,954	0.9%
<i>FTE</i>	<u>42.5</u>	<u>46.6</u>	<u>56.1</u>	<u>56.1</u>	<u>0.0%</u>
General Fund	571,301	587,753	588,160	607,823	3.3%
Cash Funds	1,166,722	1,283,879	1,289,751	1,303,544	1.1%
Federal Funds	2,697,881	2,583,502	2,178,588	2,183,587	0.2%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (5) DIVISION OF OIL AND PUBLIC SAFETY

This division establishes and enforces rules, regulations, and statutes that govern amusement rides and devices; explosives; boilers; conveyances; fuel products; underground and aboveground petroleum storage tanks; cleanup of petroleum spills; and reimbursement of cleanup costs to qualifying storage tank owners/operators.

Personal Services	<u>5,328,612</u>	<u>5,081,970</u>	<u>5,145,300</u>	<u>5,264,534</u>	
FTE	70.5	69.9	68.0	68.0	
Cash Funds	4,065,590	4,386,202	4,561,582	4,680,816	
Reappropriated Funds	19,318	19,318	19,318	19,318	
Federal Funds	1,243,704	676,450	564,400	564,400	
Operating Expenses	<u>619,376</u>	<u>647,408</u>	<u>1,186,333</u>	<u>741,333</u>	
Cash Funds	468,848	589,080	1,041,312	596,312	
Federal Funds	150,528	58,328	145,021	145,021	

<b>TOTAL - (5) Division of Oil and Public Safety</b>	5,947,988	5,729,378	6,331,633	6,005,867	(5.1%)
FTE	<u>70.5</u>	<u>69.9</u>	<u>68.0</u>	<u>68.0</u>	0.0%
Cash Funds	4,534,438	4,975,282	5,602,894	5,277,128	(5.8%)
Reappropriated Funds	19,318	19,318	19,318	19,318	0.0%
Federal Funds	1,394,232	734,778	709,421	709,421	0.0%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (6) DIVISION OF WORKERS' COMPENSATION

This division oversees workers' compensation injury claims and compliance, mediates disputes, and administers the Medical Disasters (injuries prior to 1971), Major Medical (injuries from 1971-1981), and Subsequent Injury (more than one industrial injury or injury at more than one employer) Insurance Programs.

#### (A) Workers' Compensation

Personal Services	<u>6,929,307</u>	<u>7,376,432</u>	<u>7,406,043</u>	<u>7,551,736</u>	
FTE	88.0	88.2	95.0	95.0	
Cash Funds	6,929,307	7,376,432	7,406,043	7,551,736	
Operating Expenses	<u>561,482</u>	<u>575,989</u>	<u>582,328</u>	<u>582,328</u>	
Cash Funds	561,482	575,989	582,328	582,328	
Administrative Law Judge Services	<u>3,437,605</u>	<u>3,436,935</u>	<u>3,742,556</u>	<u>3,639,783</u>	
Cash Funds	3,437,605	3,436,935	3,742,556	3,639,783	
Physicians Accreditation	<u>92,783</u>	<u>103,794</u>	<u>120,000</u>	<u>120,000</u>	
Cash Funds	92,783	103,794	120,000	120,000	
Utilization Review	<u>19,679</u>	<u>60,929</u>	<u>35,000</u>	<u>35,000</u>	
Cash Funds	19,679	60,929	35,000	35,000	
Immediate Payment	<u>123</u>	<u>58</u>	<u>1,000</u>	<u>1,000</u>	
Cash Funds	123	58	1,000	1,000	
<b>SUBTOTAL - (A) Workers' Compensation</b>	11,040,979	11,554,137	11,886,927	11,929,847	0.4%
FTE	<u>88.0</u>	<u>88.2</u>	<u>95.0</u>	<u>95.0</u>	0.0%
Cash Funds	11,040,979	11,554,137	11,886,927	11,929,847	0.4%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
<b>(B) Major Medical Insurance and Subsequent Injury Funds</b>					
Personal Services	<u>1,231,681</u>	<u>1,140,887</u>	<u>1,352,517</u>	<u>1,378,215</u>	
FTE	14.3	15.2	16.0	16.0	
Cash Funds	1,231,681	1,140,887	1,352,517	1,378,215	
Operating Expenses	<u>58,759</u>	<u>87,511</u>	<u>88,324</u>	<u>88,324</u>	
Cash Funds	58,759	87,511	88,324	88,324	
Major Medical Benefits	<u>4,168,321</u>	<u>4,510,197</u>	<u>6,000,000</u>	<u>6,000,000</u>	
Cash Funds	4,168,321	4,510,197	6,000,000	6,000,000	
Major Medical Legal Services	<u>0</u>	<u>9,505</u>	<u>7,992</u>	<u>7,992</u>	
Cash Funds	0	9,505	7,992	7,992	
Subsequent Injury Benefits	<u>1,394,242</u>	<u>1,302,455</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Cash Funds	1,394,242	1,302,455	2,000,000	2,000,000	
Subsequent Injury Legal Services	<u>0</u>	<u>0</u>	<u>7,992</u>	<u>7,992</u>	
Cash Funds	0	0	7,992	7,992	
Medical Disaster	<u>244</u>	<u>(112)</u>	<u>1,000</u>	<u>1,000</u>	
Cash Funds	244	(112)	1,000	1,000	
<b>SUBTOTAL - (B) Major Medical Insurance and Subsequent Injury Funds</b>					
	6,853,247	7,050,443	9,457,825	9,483,523	0.3%
FTE	<u>14.3</u>	<u>15.2</u>	<u>16.0</u>	<u>16.0</u>	0.0%
Cash Funds	6,853,247	7,050,443	9,457,825	9,483,523	0.3%

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
<b>TOTAL - (6) Division of Workers' Compensation</b>	17,894,226	18,604,580	21,344,752	21,413,370	0.3%
<i>FTE</i>	<u>102.3</u>	<u>103.4</u>	<u>111.0</u>	<u>111.0</u>	<u>0.0%</u>
Cash Funds	17,894,226	18,604,580	21,344,752	21,413,370	0.3%

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	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (7) DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

This division oversees vocational rehabilitation programs designed to enable individuals with disabilities to participate in the workforce. It also oversees independent living service programs that provide individuals with disabilities with resources and skills to live independently in the community.

#### (A) Vocational Rehabilitation Programs

Personal Services	<u>14,632,130</u>	<u>13,020,254</u>	<u>15,972,937</u>	<u>16,345,301</u>
FTE	205.5	217.6	223.7	223.7
General Fund	3,332,878	3,392,568	3,398,778	3,474,105
Federal Funds	11,299,252	9,627,686	12,574,159	12,871,196
Operating Expenses	<u>2,315,747</u>	<u>2,119,884</u>	<u>2,539,404</u>	<u>2,539,404</u>
Reappropriated Funds	488,021	540,884	540,893	540,893
Federal Funds	1,827,726	1,579,000	1,998,511	1,998,511
Administrative Law Judge Services	<u>0</u>	<u>29,038</u>	<u>31,767</u>	<u>31,767</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	6,185	8,914	8,914
Federal Funds	0	22,853	22,853	22,853
Voc Rehab Services	<u>13,572,495</u>	<u>13,865,085</u>	<u>14,831,622</u>	<u>14,831,622</u>
General Fund	1,043,950	1,043,950	1,043,950	1,043,950
Reappropriated Funds	1,787,594	2,115,185	2,115,185	2,115,185
Federal Funds	10,740,951	10,705,950	11,672,487	11,672,487
School to Work Alliance Program	<u>8,788,402</u>	<u>9,099,244</u>	<u>9,133,891</u>	<u>9,133,891</u>
Cash Funds	18,984	0	34,647	34,647
Reappropriated Funds	1,852,945	1,910,872	1,910,872	1,910,872
Federal Funds	6,916,473	7,188,372	7,188,372	7,188,372

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Voc Rehab Mental Health Services	<u>1,552,844</u>	<u>1,660,583</u>	<u>1,748,180</u>	<u>1,748,180</u>	
Reappropriated Funds	330,756	353,704	372,363	372,363	
Federal Funds	1,222,088	1,306,879	1,375,817	1,375,817	
Business Enterprises Program for People Who Are Blind	<u>1,356,659</u>	<u>1,408,686</u>	<u>1,532,125</u>	<u>1,532,125</u>	
FTE	5.7	6.0	6.0	6.0	
Cash Funds	285,161	299,437	325,500	325,500	
Federal Funds	1,071,498	1,109,249	1,206,625	1,206,625	
Business Enterprises Program	<u>107,082</u>	<u>117,332</u>	<u>429,000</u>	<u>429,000</u>	
Cash Funds	107,082	117,332	429,000	429,000	
Federal Social Security Reimbursements	<u>2,986,008 0.5</u>	<u>2,591,240</u>	<u>1,885,600</u>	<u>1,885,600</u>	
Federal Funds	2,986,008	2,591,240	1,885,600	1,885,600	
Older Blind Grants	<u>0</u>	<u>0</u>	<u>362,000</u>	<u>362,000</u>	
Federal Funds	0	0	362,000	362,000	
<b>SUBTOTAL - (A) Vocational Rehabilitation Programs</b>	45,311,367	43,911,346	48,466,526	48,838,890	0.8%
FTE	<u>211.7</u>	<u>223.6</u>	<u>229.7</u>	<u>229.7</u>	0.0%
General Fund	4,376,828	4,442,703	4,451,642	4,526,969	1.7%
Cash Funds	411,227	416,769	789,147	789,147	0.0%
Reappropriated Funds	4,459,316	4,920,645	4,939,313	4,939,313	0.0%
Federal Funds	36,063,996	34,131,229	38,286,424	38,583,461	0.8%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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### (B) Office of Independent Living Services

Program Costs	<u>0</u>	<u>176,145</u>	<u>206,065</u>	<u>216,312</u>	
FTE	0.0	2.5	4.0	4.0	
General Fund	0	176,145	206,065	216,312	
Independent Living Services	<u>5,056,376</u>	<u>6,710,904</u>	<u>7,061,420</u>	<u>7,128,088</u>	*
General Fund	4,741,234	6,535,844	6,666,844	6,733,512	
Cash Funds	0	0	30,036	30,036	
Federal Funds	315,142	175,060	364,540	364,540	

### SUBTOTAL - (B) Office of Independent Living

<b>Services</b>	5,056,376	6,887,049	7,267,485	7,344,400	1.1%
FTE	<u>0.0</u>	<u>2.5</u>	<u>4.0</u>	<u>4.0</u>	0.0%
General Fund	4,741,234	6,711,989	6,872,909	6,949,824	1.1%
Cash Funds	0	0	30,036	30,036	0.0%
Federal Funds	315,142	175,060	364,540	364,540	0.0%

### TOTAL - (7) Division of Vocational Rehabilitation and

<b>Independent Living Services</b>	50,367,743	50,798,395	55,734,011	56,183,290	0.8%
FTE	<u>211.7</u>	<u>226.1</u>	<u>233.7</u>	<u>233.7</u>	0.0%
General Fund	9,118,062	11,154,692	11,324,551	11,476,793	1.3%
Cash Funds	411,227	416,769	819,183	819,183	0.0%
Reappropriated Funds	4,459,316	4,920,645	4,939,313	4,939,313	0.0%
Federal Funds	36,379,138	34,306,289	38,650,964	38,948,001	0.8%

## Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
<b>TOTAL - Department of Labor and Employment</b>	240,542,527	242,344,128	248,861,234	250,356,361	0.6%
<i>FTE</i>	<u>1,275.1</u>	<u>1,244.0</u>	<u>1,279.8</u>	<u>1,279.8</u>	<u>(0.0%)</u>
General Fund	16,856,260	21,514,605	21,380,958	18,502,128	(13.5%)
Cash Funds	64,110,889	72,487,419	72,525,276	74,935,905	3.3%
Reappropriated Funds	5,710,085	8,253,619	9,515,450	9,556,835	0.4%
Federal Funds	153,865,293	140,088,485	145,439,550	147,361,493	1.3%

## APPENDIX B

### RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

#### 2016 SESSION BILLS

**S.B. 16-093 (TRANSFER INDEPENDENT LIVING CENTERS TO CDLE):** Transfers oversight of the Independent Living Centers (ILCs) from the Department of Human Services to the Department of Labor and Employment effective July 1, 2016. ILCs provide independent living services for persons with disabilities. The fiscal impact of the bill is included in the Long Bill.

**S.B. 16-179 (CDLE UNEMPLOYMENT INSURANCE COMPENSATION):** The act directs the Colorado Department of Labor and Employment (CDLE) to develop guidance on and establish a position to serve as a resource for employers on the proper classification of workers for unemployment insurance purposes, audit findings, and options for appealing or curing an audit. Appropriates \$36,750 General Fund and 0.5 FTE to the Department of Labor and Employment for FY 2016-17.

**H.B. 16-1267 (VETERANS' SERVICE-TO-CAREER PILOT PROGRAM):** Creates the Colorado Veterans' Service-To-Career Pilot Program (Program) for the purpose of enhancing workforce center services that are not available under federal law. The Department of Labor and Employment will select one or more workforce centers to contract with a nonprofit agency to administer the Program. A selected workforce center shall develop and expand programs to provide workforce development-related services specifically tailored to the unique needs and talents of veterans, spouses, and other eligible participants. The services provided by the Program may include:

- Skills training;
- Opportunities for apprenticeship placements;
- Opportunities for internship placements;
- Opportunities for work placements with businesses or other organizations; and
- Support services.

The Department is required to develop a grant program so that workforce centers may apply for money to administer the Program. Money for the internships and apprenticeships may come from the employer, federal money, and grant money through the General Fund. The bill outlines specific requirements that workforce centers must meet in order to participate in the grant program.

Appropriates \$500,000 cash funds from the Marijuana Tax Cash Fund to the Department of Labor and Employment for FY 2016-17.

**H.B. 16-1323 (DIVISION OF LABOR NAME CHANGE):** Renames the Division of Labor to the Division of Labor Standards and Statistics effective August 10, 2016.

**H.B. 16-1405 (LONG BILL):** General appropriations act for FY 2016-17.

## 2017 SESSION BILLS

**S.B. 17-254 (LONG BILL):** General appropriations act for FY 2017-18.

**HB 17-1119 (PAYMENT OF WORKERS' COMPENSATION BENEFITS):** Increases cash funds by \$6,000 to the Division of Workers' Compensation to establish the Uninsured Employer Board and the Colorado Uninsured Employer Fund.

## APPENDIX C

### FOOTNOTES AND INFORMATION REQUESTS

#### UPDATE ON LONG BILL FOOTNOTES

- 61 Department of Labor and Employment, Division Of Vocational Rehabilitation and Independent Living, Vocational Rehabilitation Programs -- In addition to the transfer authority provided in Section 24-75-108, C.R.S., the Department may transfer up to 10.0 percent of the total appropriation among the following line items in this section: Personal Services, Operating Expenses, Vocational Rehabilitation Services, School to Work Alliance Program, and Vocational Rehabilitation Mental Health Services.

**COMMENT:** This footnote enables funds within this division to be transferred among line items to promote efficient use of funds.

#### UPDATE ON REQUESTS FOR INFORMATION

- 1 Department of Labor and Employment, Division of Employment and Training, Veteran Pilot Program – The Department is requested to provide by November 1, 2017:
- The number of individuals served;
  - The specific services provided broken down by each individual served;
  - The specific outcomes for each individual (starting pay, ending pay, and any change in employer or job status);
  - Hours spent working with veterans versus hours spent working with employers;
  - The RFP for this pilot;
  - The signed contract for this pilot;
  - The success rates of the pilot;
  - The cost per veteran client served;
  - Administrative costs in total and broken out by individual items (i.e. travel, meals, staff training).

**COMMENT:** The Department submitted the requested report. The response is summarized in a staff budget briefing on workforce bills scheduled to sunset.

- 2 Department of Labor and Employment, Division of Employment and Training, Career-to-Service Pilot Program – The Department is requested to provide a report on the breakdown of the pilot program to include the number of individuals served by this pilot, the outcomes for those individuals, the success rates, and the cost per client by November 1, 2017.

**COMMENT:** The Department submitted the requested report. The response is summarized in a staff budget briefing issue on workforce bills scheduled to sunset.

- 3 Department of Labor and Employment, Division Of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs -- The Department is requested to provide a report on the number of individuals receiving vocational rehabilitation services, including: a break-down by category of the number of individuals receiving services; the average cost by category of services; the projected fiscal year expenditures, and the projected balance of the State's federal vocational rehabilitation account by November 1, 2017.

**COMMENT:** The Department provided this information in its November 1, 2017 report to the Joint Budget Committee. Key information is contained in the Informational Issue: Division of Vocational Rehabilitation Update.

- 4 Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Office of Independent Living Services -- The Department is requested to provide as of November 1, 2017, the number of clients served by each Independent Living Center for the past year, the status of development of a new Independent Living Center, and the distribution of funds by Independent Living Center.

**COMMENT:** The Department provided this information in its November 1, 2017 report to the Joint Budget Committee. The report provides data on the unduplicated number of clients served each month between March and August 2017 by independent living center. The report reflects total clients served of 1,977 to 2,006, during the six months shown. The largest of the nine centers, the Center for People with Disabilities (Colorado Springs) averaged 511 clients per month, while the smallest, the Southwest Center for Independence, averaged 81. The distribution of funds is shown below.

<b>Distribution of General Funds by Independent Living Center</b>	
<b>Independent Living Center</b>	<b>General Fund Amount</b>
Center For Independence	\$ 726,686
Center For People with Disabilities	\$ 721,159
Atlantis	\$ 870,270
Connections for Independent Living	\$ 706,885
Center for Disabilities*	\$ 425,182
Northwest Center for Independence	\$ 671,442
Disabled Resource	\$ 665,752
Southwest Center for Independence	\$ 677,780
The Independence Center	\$ 776,504
<b>Total</b>	<b>\$ 6,029,069</b>

\*Funds for the Center for Disabilities are disbursed on a quarterly basis following an audit conducted by CDLE.

- 5 Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs -- The Department is requested to provide by November 1, 2017, a listing of the current leased spaces for Workforce Centers and a listing of the current leased spaces used by the Vocational Rehabilitation Programs, including costs. The Department is also requested to provide the status of consolidation of leased spaces, including locations that can be consolidated and estimated cost savings.

**COMMENT:** The Department provided this information in its November 1, 2017 report to the Joint Budget Committee. The report indicated that in Alamosa and Aurora co-location had been deferred due to space constraints, the office in Craig was closed due to small size, and at five other locations—Durango, Lamar, Limon, Pueblo, and Sterling, assessment is pending prior to lease expiration. As of June 30, 2018, the following locations have been consolidated.

<b>Consolidated Locations (as of 6/30/2018)</b>		
Division	CITY	Estimated Total FY 2018
DVR	Canon City	\$1,960
Workforce		\$26,040
<b>Total</b>		<b>\$28,000</b>
DVR	Craig	\$0
Workforce		\$0
<b>Total</b>		<b>\$0</b>
DVR	Delta	\$2,455
Workforce		\$22,103
<b>Total</b>		<b>\$24,558</b>
DVR	Fort Morgan	\$3,423
Workforce		\$13,692
<b>Total</b>		<b>\$17,115</b>
DVR	Frisco	\$0
Workforce		\$0
<b>Total</b>		<b>\$0</b>
DVR	Glenwood Springs	\$22,188
Workforce		\$48,978
<b>Total</b>		<b>\$71,166</b>
DVR	Montrose	\$3,534
Workforce		\$15,066
<b>Total</b>		<b>\$18,600</b>
DVR	Trinidad	\$3,528
Workforce		\$14,792
<b>Total</b>		<b>\$18,320</b>

## APPENDIX D

### DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for the Department of Department of Labor and Employment by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2016-17 report dated October 2017 can be found at the following link:

<https://drive.google.com/file/d/0B69gxe7dbcwHNWxIU2YxbUo4MjA/view?ts=59ee6b17>

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., the Department of Department of Labor and Employment is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2018-19 plan can be found at the following link:

<https://drive.google.com/file/d/0B69gxe7dbcwHZHo0djFsanhDSVE/view>